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The Utilization
of Minority and Woman-Owned
Business Enterprises by
The San Francisco Redevelopment Agency

Prepared for
The San Francisco Redevelopment Agency

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Final Report
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We, of course, bear sole responsibility for the opinions expressed and conclusions reached in this report.

EXECUTIVE SUMMARY

The San Francisco Redevelopment Agency (SFRA) has, over the years, expressed an interest in ensuring that minority-owned business enterprises (MBEs)¹ and woman-owned business enterprises (WBEs) have the opportunity to participate in the multimillion dollar market for redevelopment projects. In fact, the Agency's Commissioners have directed the implementation of programs to encourage MBE and WBE participation in construction, professional and personal services and commodity purchasing.

Recent U.S. Supreme Court decisions have raised questions regarding the need for and legality of these programs. SFRA, interested in continuing its efforts to encourage minority and woman-owned businesses, commissioned this study to investigate the utilization of M/WBEs by the Agency and to gather information on the experiences M/WBEs have had with the Agency's procurement processes and with private firms within the Agency's geographic market.

¹ The MBE groups are defined as follows. African Americans include all persons having origins in any of the Black racial groups of Africa. Hispanics include all persons having origins in Mexico, Puerto Rico, Cuba, Central or South America, regardless of race. Asian or Pacific Islanders include all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent and the Pacific Islands. Native Americans or Alaskan Natives include all persons having origins in any of the original peoples of North America (including Aleuts and Eskimos) who maintain cultural identification through tribal affiliation or community recognition. Depending upon the sources we used for information it was not always possible to ensure that these definitions were followed precisely. For example, some sources of information include European Hispanics in the Hispanic group. It was also not always possible to draw conclusions for each of these groups because of lack of sufficient data. For example, Census data includes Native Americans or Alaskans in the Asian category so that it was difficult to draw conclusions specifically for Native Americans or Alaskans.

The particular kinds of affirmative action programs that the Agency can consider, however, are circumscribed by a 1989 Supreme Court decision. In L.A. Croson v. City of Richmond, Virginia, the Supreme Court found that a City of Richmond program which required that City construction contractors subcontract — or set aside — 30 percent of the dollar value of their work to minority-owned firms as a condition of award violated the Fourteenth Amendment of the U.S. Constitution. The Court found that race-based preferences would be constitutionally permissible only if there is evidence that discrimination in the marketplace has caused the underutilization of minority-owned firms and that race-based preferences are necessary to remedy this discrimination.

The study examined the following information:

- All SFRA construction, professional and personal services, and commodity purchasing contracts between January 1, 1982 and July 30, 1991.
- Detailed questionnaires concerning procurement practices completed by SFRA procurement personnel.
- Census and other data on the availability of M/WBEs in the geographic areas from which SFRA seeks suppliers of goods and services.
- Testimony presented at public hearings conducted in San Francisco County, Alameda County and Contra Costa County.
- The results of mail surveys received from 540 M/WBE owners in SFRA's geographic market.
- The results of mail surveys received from private developers in San Francisco identified from San Francisco building permit records.
- Social science literature and government reports on race and sex discrimination.

- Court filings and decisions on race discrimination in SFRA's geographic market.
- Legal decisions concerning affirmative action programs.

Based on this and other information, we have made several findings of fact for the three major procurement areas.² Table A reports the results of our findings. For construction:

- Although our analysis was limited by a lack of a recent period during which the Agency operated without a M/WBE program, there were several instances in which M/WBEs were underutilized in SFRA contracts between January 1, 1982 and July 30, 1991. For example, WBEs received none of the publicly funded prime contract dollars and only 24 percent of the privately funded contract dollars we would have expected based on availability. Underutilization despite outreach programs suggests that discrimination exists and is difficult to overcome.
- On construction contracts awarded in the private sector in SFRA's geographic market, M/WBEs received a smaller share of prime contractor dollars and subcontractor dollars than we would expect given their availability. For example, Asian-owned MBEs received only 10 percent of the prime contract dollars we would have expected them to have received.
- In the NERA survey of private construction contractors, M/WBEs received none of the prime contracts and only 2.32 percent of the subcontract dollars. Furthermore, African American, Hispanic, and Native American MBEs received none of the subcontracts.
- Over 75 percent of the 95 M/WBE construction firm owners who responded to our surveys indicated that prime contractors that use their firms to meet M/WBE requirements on public-sector projects, seldom or never use their firms on projects that do not have M/WBE requirements.

² There were exceptions to some of these findings for some race and women groups in some industries.

In the case of professional and personal service contracts:

- In spite of a program, there were some instances in which M/WBEs received a smaller share of professional contracts than we would expect. For example, Hispanics received only 18 percent of the privately funded contract dollars and 3 percent of the publicly funded contract dollars we would expect based on availability.
- In the overall market for services in SFRA's geographic market, M/WBEs received a smaller share of dollars than we would expect given their availability. For example, African American-owned firms earned only 11 percent of the dollars we would have expected.

In the case of commodity purchasing:

- In spite of a program, there were some instances in which M/WBEs received a smaller share of commodity purchases than we would expect. Hispanics received only 44 percent of the publicly funded purchasing contract dollars we would expect based on availability.
- On commodity purchases in the private sector in SFRA's geographic market, M/WBEs received a smaller share of dollars than we would expect given their availability. For example, WBEs earned only 10 percent of the purchasing dollars we would expect them to receive.

In all three procurement areas, a sizeable proportion of the M/WBE owners who responded to our surveys reported having experienced at least one instance of discrimination in the course of business dealings in the last five years. Approximately three fifths of M/WBE owners indicated that they had experienced at least one instance of discrimination. The reports of discrimination were particularly high for African American business owners, 81 percent of whom reported that they had experienced at least one instance of discrimination. In addition, 18 owners and representatives of the M/WBE community testified at hearings in San Francisco that they were the victims of discrimination. An additional 43 owners and representatives testified at hearings in Alameda County and

Contra Costa County — areas from which SFRA draws many of its vendors — that they were victims of discrimination.

Finally, we found a substantial amount of anecdotal evidence from court cases and from the professional literature that also points towards pervasive and ongoing discrimination against minorities and women, and businesses owned by minorities and women, in the geographic markets and industries from which SFRA procures goods and services. Table B summarizes the findings. There is especially strong evidence that discrimination against minorities and women by financial institutions such as banks and surety companies limits the ability of M/WBEs to compete for SFRA procurements as either prime or subcontractors.

SUMMARY OF FINDINGS CONCERNING DISCRIMINATION
AGAINST M/WBESConstruction

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for SFRA Privately Funded Contracts? ¹	No	Yes	No	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	329% ³	37%*	185% ³	40%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	555% ³	95%	132% ³	93%
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for SFRA Publicly Funded Contracts? ¹	No	No	No	Yes ⁴
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	735% ³	273% ³	170% ³	89%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	643% ³	111% ³	309% ³	198% ³
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for Private Sector Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	8%	1%	27%	75%
Have M/WBE Prime Contractors Been Underutilized by SFRA for Privately Funded Contracts? ¹	No	Yes ⁴	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	268% ³	53%	47%	24%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	329% ³	130% ³	50%	12%*
Have M/WBE Prime Contractors Been Underutilized by SFRA in Publicly Funded Contracts? ¹	No	Yes ⁴	Yes ⁴	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	1,024% ³	11%	11%	0%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	597% ³	129% ³	127% ³	0%

An asterisk (*) indicates statistically significant disparity.

SUMMARY OF FINDINGS CONCERNING DISCRIMINATION
AGAINST M/WBES

Construction, Continued

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Prime Contractors Been Underutilized on Private Sector Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	3%	8%	5%	8%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ³	90%	33%	39%	34%
What Percent of M/WBEs Are Seldom or Never Used by Prime Contractors for Projects that Don't Have M/WBE Goal Requirements? ⁴	90%	80%	62%	67%

An asterisk (*) indicates statistically significant disparity.

Professional Services

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Contractors Been Underutilized by SFRA on Professional Service Contracts for Privately Funded Contracts? ¹	No	No	Yes ⁴	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	124% ³	153% ³	23%	49%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	952% ³	398% ³	165% ³	83%
Have M/WBE Contractors Been Underutilized by SFRA on Professional Service Contracts for Publicly Funded Contracts? ¹	No	No	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	402% ³	218% ³	3%	16%*
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	536% ³	333% ³	27%*	57%*
Have M/WBE and Professional Service Firms Been Underutilized Overall in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	11%	26%	18%	16%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ⁵	77%	58%	34%	48%

An asterisk (*) indicates statistically significant disparity.

Purchasing

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Contractors Been Underutilized by SFRA for Privately Funded Contracts? ¹	No	No	No	Yes ⁴
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	299% ³	146% ³	173% ³	62%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	262% ³	185% ³	85%	148% ³
Have M/WBE Contractors Been Underutilized by SFRA for Publicly Funded Contracts? ¹	No	No	Yes ⁴	No
Dollar Utilization as a Percent of Availability Is?	101% ³	843% ³	44%	155% ³
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	780% ³	636% ³	243% ³	491% ³
Have M/WBE Purchasing Firms Been Underutilized on Private Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	0%	2%	1%	10%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ⁵	88%	43%	27%	41%

Sources and Notes

1. Underutilization is measured by comparing the percent of SFRA contract and purchase dollars paid to minority and woman-owned firms to the percent of available firms within SFRA's geographic market which are minority and woman-owned. The utilization figures presented here reflect utilization of M/WBE firms during the period January 1, 1982 through July 30, 1991. The availability figures are based on the Department of Commerce, Bureau of the Census, 1987 Census of Minority- and Woman-Owned Businesses. For example, Asian subcontractors accounted for 2.6 percent of spending on privately funded contracts during the period, but made up 7.0 percent of the subcontractors available within SFRA's geographic market. Thus, the dollar underutilization as a percent of availability is 37 percent ($2.6 + 7.0$). Underutilization is also measured by comparing the number of contracts rather than the dollar amount of contracts. This is referred to as numerical utilization. For example, Asian subcontractors accounted for 7.6 percent of the privately funded contracts issued, but made up 8.1 percent of the subcontractors available within the Agency's geographic market. Thus, underutilization based on the number of contracts is 95 percent ($7.6 + 8.1$).

An asterisk (*) indicates that the observed difference in utilization and availability is statistically significant at the five percent level or better. While tests for statistical significance are extremely useful for assessing whether chance can explain disparities that we observe, they do have important limitations. First, the fact that a disparity is not statistically significant does not mean that it is due to chance. It just means that we cannot rule chance out on the basis of that test alone. Second, there are circumstances under which tests for statistical significance are not very helpful for distinguishing disparities due to chance from disparities due to other reasons such as discrimination. In the particular statistical application in this analysis, tests for statistical significance are less reliable when (a) we examine a relatively small number of procurements and when (b) the expected utilization of particular race and gender groups — measured by their availability — is relatively small. One or both of these circumstances were often present in this analysis. See Chapter 5 for a detailed explanation of underutilization and statistical significance.

2. Private sector utilization was estimated based on NERA's survey of M/WBE firms in SFRA's Geographic Market and the U.S. Department of Commerce, Bureau of the Census, 1987 Census of Construction Industries, 1987 Census of Service Industries, 1987 Census of Wholesale Trade and 1987 Census of Minority and Woman-Owned Businesses. The following counties were included in this analysis: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.
3. Note that this finding by itself does not indicate a lack of discrimination. Other factors such as anecdotal evidence and private sector utilization must also be considered.
4. In these instances, the dollar utilization measure indicates that M/WBEs were underutilized while the numerical utilization measure indicates that these firms were not underutilized. This suggests that few M/WBE firms secured reasonably large contracts.
5. Based on responses to NERA survey of M/WBEs in SFRA's Geographic Market.

SUMMARY OF ANECDOTAL EVIDENCE OF
DISCRIMINATION AGAINST MINORITIES AND WOMEN

DISCRIMINATION BY	HEARING/INTERVIEWS	SURVEYS	COURT CASES	ACADEMIC & OTHER STUDIES
Private Sector				Academic studies found discriminatory hiring practices among prime contractors
Prime Contractors	21% of witnesses named prime contractors	Almost 60% of respondents indicated primes discriminated		
Bonding/Surety Firms	20% of witnesses named bonding firms	Almost half of respondents in the construction industry claimed discrimination in bonding		
Banks and other financial institutions	10% of witnesses named banks	Over 40% of construction firm respondents claimed discrimination by financial institutions	Studies conducted in both San Francisco and Oakland point to discrimination by financial institutions	
Suppliers	3% of witnesses named suppliers	About 30% of respondents claimed suppliers discriminate		Recent academic studies have found minorities and women pay more for goods
Unions/Trade	10% of witnesses named unions		There have been numerous successful law suits against unions regarding discrimination in SFRA's Geographic Market	Academic studies have chronicled union discrimination

SUMMARY OF ANECDOTAL EVIDENCE OF
DISCRIMINATION AGAINST MINORITIES AND WOMEN

DISCRIMINATION BY	HEARING/INTERVIEWS	SURVEYS	COURT CASES	ACADEMIC & OTHER STUDIES
Agency Procurement Practices:				
Bonding Requirements	Witnesses identified bonding requirements as well as bonding firms as a serious obstacle			Studies questioned the need for bonding, especially of subcontractors
Insurance Requirements		24% of respondents reported insurance an impediment		
Bid Notification	5% of witnesses named bid notification as a serious obstacle			
Slow-Pay	7% of witnesses named slow pay as a serious obstacle		Considered a serious impediment by supplier respondents	
Certification	7% of witnesses named certification process as obstacle			
n e x t				
Sources and Notes				
A detailed discussion of the anecdotal evidence is presented in Chapter 6. Chapter 6 identifies some additional sources of alleged discrimination not readily categorized.				

CHAPTER 1

INTRODUCTION AND OVERVIEW OF THE STUDY

The San Francisco Redevelopment Agency (SFRA or the Agency) is a public entity that contracts for goods and services primarily in northern California. Between July 1, 1990 and June 30, 1991 — Fiscal Year 1991 (FY91) — SFRA paid over \$7.9 million for a wide range of goods and services including legal, architectural programming and planning, financial services, traffic engineering, environmental consulting, street improvements, building demolition, and computer equipment. Moreover, between January 1, 1982 and July 30, 1991, SFRA spent over \$1.2 billion on approximately 3,000 contracts for construction, professional and personal services, and supplies.

SFRA buys goods and services from hundreds of companies, many of which were located in the greater San Francisco Metropolitan Area.¹ Companies located in San Francisco, Alameda, Contra Costa and San Mateo counties received a considerable portion of the over \$7.9 million which SFRA spent in FY91 for goods and services. Figure 4.1 shows the counties which make up SFRA's geographic market for procurements. Chapter 4 provides specific details concerning these geographic market counties.

SFRA's activities have profound effects on business life in the San Francisco Metropolitan Area. By virtue of its spending, the Agency directly and indirectly creates jobs for thousands of people in San Francisco and elsewhere in the Metropolitan Area, helps maintain thousands of businesses and fosters the creation of businesses. Recognizing its importance to the local economy, SFRA has an economic and political interest not only in making sure that it obtains the most competitive prices for the goods and services it procures and for contracts it awards, but also that it maximizes its opportunities for enhancing economic development in the San Francisco Metropolitan Area through the projects it sponsors and the direct and indirect effects of its procurement activities.

SFRA is governed by a seven-member Commission. The Commission has, over the years, expressed an interest in ensuring that minority-owned businesses (MBEs)

¹ For the purposes of this report, the San Francisco metropolitan area consists of the counties of Alameda, Contra Costa, Marin, Napa, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Solano and Sonoma. This area is also consistent with SFRA's geographic market as defined in Chapter 4.

and woman-owned businesses (WBEs) have the opportunity to participate in the multimillion dollar market for Agency procurements. The SFRA Commission has adopted a program to encourage the participation of M/WBEs in construction, professional and personal services and commodity purchasing. This program has been in place since at least January 1, 1982 and was last revised in 1990 because of a Supreme Court decision discussed below.

The San Francisco Redevelopment Agency commissioned this study to investigate the utilization of M/WBEs by the Agency; to gather information on the experiences M/WBEs have had with the Agency's construction, purchasing and professional/personal services and land disposition programs; and to gather information regarding the treatment of M/WBEs in the Agency's market for goods and services. A special focus of this study concerns whether discrimination against M/WBEs has limited their ability to participate on Agency financed or sponsored projects.

The particular kinds of affirmative action programs that the Agency can consider, however, are circumscribed by a 1989 Supreme Court decision. In J.A. Croson v. City of Richmond, Virginia the Supreme Court found that a City of Richmond program which required that City construction contractors subcontract — or set-aside — 30 percent of the dollar value of their work to minority-owned firms as a condition of award violated the Fourteenth Amendment of the U.S. Constitution. The Court found that race-based preferences would be constitutionally permissible only if there is evidence that discrimination in the marketplace has caused the underutilization

of minority-owned firms and that race-based preferences are the only way to remedy this discrimination. While the Court has left vague the type and standard of evidence required for a constitutionally valid program, we have attempted to examine the kinds of evidence that the Court would appear, based on its recent decisions on racial discrimination and affirmative action, to require state and local agencies to consider.²

Our report consists of eight chapters including this introduction. Chapter 2 presents an overview of SFRA's contract compliance programs and affirmative action efforts. Chapter 3 reports our estimates of the SFRA's utilization of M/WBEs in various procurement areas. Chapter 4 summarizes the availability of M/WBEs in the geographic market from which SFRA typically solicits contractors, goods and services. Chapter 5 then examines whether there has been a disparity between the utilization of M/WBEs and the availability of M/WBEs. Chapter 6 reports anecdotal evidence on the ability of M/WBEs to participate in procurement opportunities. This anecdotal evidence draws upon mail and telephone surveys we have conducted, public hearings conducted under our supervision in Alameda, Contra Costa and San Francisco Counties on the experiences of M/WBEs, a review of social literature on discrimination and court filings in the San Francisco Metropolitan Area. Chapter 7 discusses possible remedies to those problems that we have identified. Chapter 8 summarizes our findings.

² Although we recognize the difference between ethnic and racial classifications, for simplicity, we do not make this distinction in the body of this report. (For example, Hispanics may be either Caucasian or African American.) Consequently, race and ethnicity are used synonymously in the text.

The remainder of this introduction discusses the Croson decision in more detail and the methodology we have adopted for this study in light of that decision.

A. Summary of Croson v. Richmond and Its Implications for M/WBE Programs

The Supreme Court has been wrestling with the circumstances under which discrimination and affirmative action are appropriate for over a decade. Croson was the tenth decision since Regents of the University of California v. Bakke (Bakke)³ that has addressed this legally and morally complex issue. These decisions produced numerous opinions and little consensus on the scope for affirmative action. The Court clearly has deep reservations about the use of many forms of affirmative action, but appears willing to allow it under certain restrictive circumstances.

Croson was the fourth of five decisions involving government-sponsored affirmative action programs and the first one in which a majority of the Court joined in one opinion.⁴ This section discusses Croson and its implications for M/WBE programs in some detail. The reader should keep two caveats in mind. First, this section provides our analysis of the Croson decision, but is not intended to offer legal advice. Second, there is little consensus among legal scholars on the implications of

³ 438 U.S. 265 (1978)

⁴ Previous decisions were Bakke, 438 U.S. 265 (1978), which struck down a minority set-aside for medical-school admissions; Fullilove v. Klutznick, 448 U.S. 448 (1980), which approved a Congressionally mandated preference program for MBEs; and Wygant v. School Board, 476 U.S. 267 (1987), which rejected a plan that protected African American teachers from discharge while permitting the discharge of more senior white teachers. After Croson, the Court decided Metro Broadcasting, Inc. v. FCC, 110 S. Ct. 2997 (1990) which upheld federal preferences for minority-owned broadcasting firms.

Croson for M/WBE programs.⁵ Many of the present uncertainties surrounding Croson will have to await resolution by further lower court and, eventually, Supreme Court decisions.

In Croson, the Supreme Court held that the minority set-aside program operated by the City of Richmond, Virginia for construction projects violated the Equal Protection Clause of the Fourteenth Amendment. The Richmond plan, adopted by the Richmond City Council in 1983, required that MBE subcontractors receive 30 percent of the dollar value of each city construction contract, unless the contractor could show that no MBE was available. The City Council had heard evidence that less than 1 percent of the city's prime construction contracts had been won by minority firms in the previous five years, even though Richmond's population was 50 percent African American. It also heard generalized claims that discrimination was rampant in the construction industry. The J. A. Croson Company challenged the program after the City of Richmond refused the company's request for a waiver of the set-aside requirement on the grounds that it could not find a qualified MBE.

Six Justices (Justice O'Connor joined by Chief Justice Rehnquist and Justices White, Kennedy, Stevens and Scalia) found that the Richmond program violated the Fourteenth Amendment because the adoption of the program was not supported by an

⁵ See "Constitutional Scholars' Statement on Affirmative Action After City of Richmond v. J. A. Croson Co.," 98 Yale Law Journal 1711 (1989); Fried, "Affirmative Action After City of Richmond v. J. A. Croson Co.: A Response to the Scholars' Statement," 99 Yale Law Journal 155 (1989); and "Scholars' Reply to Professor Fried," 99 Yale Law Journal 163 (1989). Also see Osenfeld, "Decoding Richmond: Affirmative Action and the Elusive Meaning of Constitutional Equality," 87 Michigan Law Review 1729 (1989) and "The Economics of Discrimination: The Three Fallacies of Croson," 100 Yale Law Journal 1033 (1991).

adequate finding of discrimination in either the Richmond construction industry or in the awarding of city construction contracts. The Court was not persuaded by statistics comparing the percent of African Americans in Richmond with the percent of construction contracts awarded to African American firms because these statistics did not show that qualified African American construction firms were available or that the lack of qualified African American construction firms was due to discrimination. The Croson decision established that bald assertions of discrimination and broad statistical comparisons are not sufficient grounds for adopting race-based preferences.

Four of the six Justices (Justice O'Connor joined by Justices Rehnquist, White and Kennedy) found that Richmond could have established a minority set-aside program under two conditions.⁶ The first condition is that Richmond would have to have specific evidence of discrimination. According to Justice O'Connor:⁷

If the city of Richmond had evidence before it that nonminority contractors were systematically excluding minority businesses from subcontracting opportunities, it could take action to end the discriminatory exclusion. Where there is a significant statistical disparity between the number of qualified minority contractors willing and able to perform a particular service and the number of such contractors actually engaged by the locality or the

⁶ Justice Scalia opposes race-based preference programs unless they are simply reversing other race-based preference programs and, therefore, yielding a race-neutral program. Justice Stevens was not willing to preclude the adoption by state and local governments of race-based preferences if there was a showing that these preferences were in the public interest.

⁷ Justice O'Connor goes on to say that ". . . evidence of a pattern of individual discriminatory acts can, if supported by appropriate statistical proof, lend support to a local government's determination that broader remedial relief is justified." 109 S.Ct. at 729.

locality's prime contractors, an inference of discriminatory exclusion could arise.

By conducting a disparity study, possibly along the lines used in Title VII cases,⁸ a state or municipality could justify its adoption of race-conscious programs.

The second condition required by these four Justices is that the programs are "narrowly tailored to remedy the effects of prior discrimination." Importantly, Justice O'Connor and the Justices who joined her insist that the state or municipal government consider race-neutral methods to increase minority participation before considering race-based preferences. She mentions a "race-neutral program of city financing for small firms" and the "relaxation of bonding requirements" as possible methods for lowering barriers to minority participation. State and municipal governments have to consider, if appropriate, race-neutral methods such as these before adopting or maintaining race-based preferences. Moreover, defensible race-conscious programs must be more flexible than those adopted by the City of Richmond.

Given the number of separate opinions written in Croson, it is impossible to say precisely what kind of evidence would persuade a majority of the Court that a race-conscious program is constitutional. The discussion above shows, however, that there are bounds on what would and would not satisfy a majority of the court. Simple statistics and unsupported assertions along the lines of those originally relied upon by the Richmond City Council did not satisfy the six Justices who ruled against Richmond.

⁸ 109 S.Ct. 724-725.

A statistical showing of disparate treatment or impact, however, coupled with direct evidence of discrimination and a showing that race-neutral remedies are insufficient or impractical would satisfy four of the six Justices who ruled against Richmond and the three Justices who ruled for Richmond.⁹ The remainder of this section tries to flesh out the evidence that this clear-cut majority called for in applying the strict scrutiny test.¹⁰

As Justice O'Connor concluded: "Nothing we say today precludes a state or local entity from taking action to rectify the effects of identified discrimination within its jurisdiction." Our reading of Croson suggests that a state or local entity would have to make three factual findings before establishing a race-conscious program that would clearly satisfy a majority of the Court.

- (1) It would have to identify particular discriminatory practices by itself or by private parties within its jurisdiction.¹¹

⁹ Since Croson, two of the Justices who supported affirmative action (Brennan and Marshall) have retired. Their successors (Souter and Thomas) have not yet participated in an affirmative action decision on the Court. Had they been on the Court at the time Croson was decided, it is likely that they would have joined the opinions of either Justice O'Connor or Justice Scalia.

¹⁰ In Croson, the Court applied the "strict scrutiny" standard for assessing the constitutionality of race-preference plans adopted by state and local governments. The Court has consistently used an intermediate level of scrutiny to examine gender classifications. For example, in Craig v. Boren 97 S.Ct. 451 (1976), a majority of the court held that gender classifications had only to be "substantially related" to the achievement of "important" government objectives. The Ninth Circuit employed intermediate scrutiny in the only post-Croson case to reach an appellate court. See Coral Construction Co. v. King County, 941 F.2d 910, 930-31 (9th Cir. 1991), cert. denied, 1992 U.S. LEXIS 287 (1992).

¹¹ This principle is articulated in Part II of Justice O'Connor's decision which was joined by Chief Justice Rehnquist and Justice White. Justice Blackmun and former Justices Marshall and Brennan, whose dissenting opinions argued that the Richmond plan was constitutional, would also presumably agree with this principle. As mentioned earlier, Justices Marshall and Brennan have since been replaced by

(continued...)

- (2) It would have to show that these discriminatory practices have led to a significant disparity between the availability of qualified minority contractors and their utilization by the state or local entity.^{12,13}
- (3) It would have to show that race-neutral methods would not be effective for remedying discrimination that gives rise to disparities. Justice O'Connor says that, "In the extreme case, some form of narrowly tailored racial preference

¹¹(...continued)
Justices Thomas and Souter.

¹² This principle is enunciated especially in Part V of Justice O'Connor's decision, which was joined by Chief Justice Rehnquist and Justices White and Kennedy. Justice Stevens and the dissenting Justices would also presumably agree that evidence of a significant disparity would justify a remedial program.

¹³ The standard of evidence necessary to satisfy these first two factual predicates is a key but, as yet unresolved issue. In Watson v. Fort Worth Bank & Trust, 487 U.S. 977 (1988) and Wards Cove Packing Co. v. Antonio, 490 U.S. 642 (1989), the Supreme Court addressed similar issues in the Title VII context. Watson and Antonio found that in order to prove a prima facie case of employment discrimination, it is not sufficient simply to show statistical disparities between minority workers and white workers. Watson established that: "The plaintiff's burden in establishing a prima facie case goes beyond the need to show that there are statistical disparities in the employer's work force. The plaintiff must begin by identifying the specific employment practice that is challenged . . ." 487 U.S. at 994 (emphasis added). Antonio firmly reemphasized earlier decisions that: "It is such a comparison — between the racial composition of the qualified persons in the labor market and the persons holding at-issue jobs — that generally forms the proper basis for the initial inquiry in a disparate impact case." 490 at 650-51.

While the Court may look to Title VII to establish the proper evidentiary standard, it is by no means certain it will do so. The Court may find that the evidentiary standard in constitutional cases such as Crosen is more or less rigorous than that articulated in Antonio and Watson. The concern is that the Court would follow the reasoning of Watson and require that enacting government to point to the "specific" contracting practice that has a disparate impact on M/WBEs. Since the lack of M/WBE utilization is most likely the result of a number of factors, this could be difficult. Watson's requirement of identifying a specific employment practice was not significantly affected by the recently enacted Civil Rights Act of 1991, Pub. L. No. 102-166, § 105(a) (amending 42 U.S.C. § 2000e-2 (k) (1)). It did, however, provide an exception that "if the complaining party can demonstrate to the Court that the elements of respondents' decision-making process are not capable of separation for analysis, the decision-making process may be analyzed as one employment practice." Id. Whether the Court would adopt this exception in the constitutional context is uncertain.

might be necessary to break down patterns of deliberate exclusion.¹⁴

The precise evidentiary burdens that state and local governments will have to bear to satisfy these requirements remain to be seen. It may prove helpful to consider some possible interpretations for each of the three requirements mentioned above.

1. Identification of Discrimination

The Court rejected generalized assertions of discrimination made by the City of Richmond, and its exclusive reliance on national findings of discrimination and evidence of societal discrimination. The Court appears to be looking for specific evidence that would be sufficient to support a *prima facie* case of discrimination. In a portion of the decision that is joined by five members of the Court, Court Justice O'Connor says: "There is nothing approaching a *prima facie* case of constitutional or statutory violation by *anyone* in the Richmond construction industry." With regard to membership in construction organizations she says: "The mere fact that African American membership in these trade organizations is low, standing alone, cannot establish a *prima facie* case of discrimination." Whether the *prima facie* case must rise to that required of plaintiffs in Title VII cases is a critical question for which we must await future decisions.

¹⁴ This principle is also stated in Part V. See footnote 11 for a list of Justices who would not disagree with this principle.

2. Statistical Evidence

The Court rejected disparities between minority utilization on procurements and minority availability in the general population. Justice O'Connor noted that: "[W]here special qualifications are necessary, the relevant statistical pool for purposes of demonstrating discriminatory exclusion must be the number of minorities qualified to undertake the particular task." She appears to want to restrict the comparison to "qualified . . . contractors willing and able to perform a particular service." On the other hand, she cites Ohio Contractors Assn. v. Keip,¹⁵ which relied on a comparison of minority businesses in Ohio to the percent of contracts awarded to minority businesses. That comparison made no attempt to adjust for whether all the minority businesses were qualified to perform the state contracts.¹⁶ Justice O'Connor and the Justices who joined her did not address the effect of discrimination on the formation of M/WBEs or whether race-conscious programs could be used to promote the development of M/WBEs. It is possible that the Court would not insist on restricting the population to qualified contractors if there was evidence that discrimination had operated to restrict the formation of minority businesses or to limit the expansion of

¹⁵ 713 F.2d 167 (1983).

¹⁶ The comparison was based on the fraction of all businesses that were minority-owned irrespective of the size of these businesses. This fact is not mentioned in the decision Justice O'Connor cites. Whether the Ohio Contractors approach is the kind of "gross statistical disparity" approved by the appellate courts in Coral Construction Co. v. King County, 941 F.2d 910 (9th Cir. 1991) *cert. denied*, 1992 U.S. LEXIS 287 (1992) and Cronc Corp. v. Hillsborough County, 908 F.2d 908, 916 (11th Cir.), *cert. denied*, 111 S. Ct. 516 (1990) is unclear.

minority firms. Although on the record in *Crosen* it was "sheer speculation how many minority firms would be in Richmond absent societal discrimination," where available data minimizes the element of speculation such an adjustment may be appropriate.¹⁷

3. Race-Neutral Alternatives

Justice O'Connor lists a number of methods for attacking discrimination that fall short of enacting set-asides. Local governments "would be justified in penalizing the discriminator and providing appropriate relief to the victim of such discrimination."¹⁸ Local governments can also use "race-neutral devices to increase the accessibility of city contracting opportunities to small entrepreneurs of all races." She mentions the "[s]implification of bidding procedures, relaxation of bonding requirements, and training and financial aid" and the "elimination or modification" of formal barriers to new entrants. The Richmond plan was rejected in part because there was no consideration of these kinds of race-neutral methods for increasing minority participation. The lengths to which local governments must consider these alternatives before adopting a race-conscious program is not at all clear. A cursory

¹⁷ We discuss this issue further in Chapter 5.

¹⁸ 488 U.S. at 509. Justice O'Connor does not mention any specific measure for punishing the discriminators.

examination probably would not be enough.¹⁹ A showing that race-neutral methods would not remedy identifiable discrimination probably would be enough.²⁰

Although a number of programs that were implemented prior to the Croson decision have been struck down since Croson, only two M/WBE programs developed after Croson have been reviewed by the Courts. The U.S. District Court for the Western District of Washington at Seattle closely scrutinized and affirmed an M/WBE program that was modified and redeveloped by the King County Council in response to the Croson decision.²¹ The County Council had "written or oral descriptions of . . . discrimination" and "specific examples of past discrimination in the construction industry in King County." Moreover, the County Council found that race-neutral methods were not available because of state laws that prohibit subsidies and modifications to bonding procedures. The Court concluded that: "Croson does not compel the County to consider every imaginable race-neutral alternative, nor to try alternatives that would be plainly ineffective. The record establishes that King County

¹⁹ The principal opinion in Fullilove v. Klutnick, 448 U.S. 448 (1980), found that Congress had carefully examined and rejected race-neutral alternatives before enacting the MBE set-aside.

²⁰ Justice O'Connor referred to United States v. Paradise, 480 U.S. 149 (1987): "In determining whether race-conscious remedies are appropriate, we look to several factors including the efficacy of alternative remedies." Some commentators have interpreted Croson as requiring that a jurisdiction actually try race-neutral efforts first, even if logic and evidence indicates they will not be adequate. The Ninth Circuit has rejected that interpretation. See Coral Construction Company v. King County, 941 F.2d 910, 923 (9th Cir. 1991), cert. denied, 1992 U.S. LEXIS 287.

²¹ Coral Construction Company, et al. v. King County, 729 F. Supp. 734 (W.D. Wash. 1990) aff. in part, rev'd in part, and remanded, 941 F.2d 910 (9th Cir. 1991), cert. denied, 1992 U.S. LEXIS 287 (1992).

carefully considered race-neutral alternatives before implementing its race-based remedy." The King County program ties M/WBE-utilization requirements to the availability of qualified contractors and permits the waiver or reduction of preferences if qualified MBE or WBEs are not available or if the higher price charged by an MBE or WBE is not due to past discrimination.

On appeal, the Ninth Circuit, whose territory includes San Francisco, upheld the WBE part of the King County program and remanded for consideration of additional statistical evidence relating to the MBE program.²² The Court of Appeals generally upheld the finding that the King County program was narrowly tailored, except with respect to its geographic scope. There, the Court held that the County could not include MBEs located outside the County, at least unless there was a showing that they had done or actively had tried to do business in the County.

The second preference plan reviewed by the courts was that adopted by the city and County of San Francisco. The program, which is outlined in Associated General Contractors, Inc. v. Coalition for Economic Equity, 1991 U.S. LEXIS 28289 (9th Cir. 1991), was supported by a statistical study, testimony taken at more than ten public hearings and numerous written submissions detailing discrimination against M/WBEs. The City also considered race neutral alternatives and adopted a flexible plan. The plan employs bid preferences rather than set-asides, and the preferences are provided only to minority groups who have been underutilized in a particular contract

²² The Ninth Circuit suggested that the anecdotal evidence of discrimination was more than adequate but needed to be combined with a showing of "gross statistical disparities."

category and who are economically disadvantaged. The plan also is limited in its geographic scope so that only M/WBEs within the City's borders benefit.

The San Francisco plan generated a judicial opinion when the Associated General Contractors of California, Inc. (AGCC) sought to preliminarily enjoin its implementation. The District Court denied the motion, holding that AGCC had neither demonstrated a sufficient possibility of irreparable injury nor shown a likelihood of success on the merits. The Ninth Circuit, relying on the elements of the plan outlined above and following the reasoning in Coral Construction, held that the District Court had not abused its discretion in refusing to grant the injunction.

The Croson decision is only three years old. Yet the implications of this decision for state and local M/WBE-goal programs will not be known until lower courts have had a chance to apply the Croson analysis to various situations. Given the diversity of rulings that may be expected and the number of issues that the Court has left unresolved, the Court will likely return to the subject of M/WBE-preference programs in the future.

B. Study Methodology

The methodology we adopted for this study was guided by the criteria for constitutionally permissible affirmative action programs set forth in Croson and other decisions, by generally accepted economic and statistical methods for establishing discrimination and by the particular circumstances surrounding SFRA's M/WBE efforts. We focused on the geographic area from which SFRA contracts for its construction.

goods and service contracts. We identified this area — the geographic market — from SFRA records on construction, professional and personal services, purchasing and land disposition activities. This focus is necessary to ensure that any evidence of discrimination is specific to SFRA's circumstances and to develop the narrowly tailored remedies desired by the Court.

We then examined whether M/WBEs have been discriminated against in the relevant geographic area. For the purpose of our investigation we examined evidence of discrimination against African Americans, Hispanics, Asians or Pacific Islanders, and Native Americans or Alaskan Natives.²³ Our definition of discrimination conforms to that used in employment discrimination litigation — the disparate treatment of similarly situated individuals because of race and the disparate impact of racially neutral practices on members of different race groups. As required by the Court, our definition of discrimination does not include disparate impact that arises from the present effects of past societal discrimination such as school segregation.

²³ These groups are defined as follows. African Americans include all persons having origins in any of the Black racial groups of Africa. Hispanics include all persons having origins in Mexico, Puerto Rico, Cuba, Central or South America, regardless of race. Asian or Pacific Islanders include all persons having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent and the Pacific Islands. Native Americans or Alaskan Natives include all persons having origins in any of the original peoples of North America (including Aleuts and Eskimos) who maintain cultural identification through tribal affiliation or community recognition. Depending upon the sources we used for information it was not always possible to ensure that these definitions were followed precisely. For example, some sources of information include European Hispanics in the Hispanic group. It was also not always possible to draw conclusions for each of these groups because of lack of sufficient data. For example, Census data includes Native Americans or Alaskans in the Asian category so that it was difficult to draw conclusions specifically for Native Americans or Alaskans.

We examined both statistical and anecdotal evidence of discrimination. We focused on roughly the last nine years. Because the Agency has operated an affirmative action program over the period including the period since the Croson decision, we could not use SFRA utilization data alone to measure whether M/WBEs have been underutilized. For purposes of determining whether M/WBEs have been underutilized in the absence of race/gender-conscious outreach efforts, we compared SFRA utilization to private sector utilization of M/WBEs. Since most private sector firms are not required to establish affirmative action goals, this comparison provides the necessary contrast in utilization with and without such goals. We examined:

- All SFRA construction contracts awarded between January 1, 1982 and July 30, 1991.
- Data collected from a survey of 67 private firms involved in private sector construction projects in San Francisco since 1982.
- Data on SFRA payments to vendors on purchasing contracts made between January 1, 1982 and July 30, 1991.²⁴
- Data on SFRA payments to vendors on personal service contracts made between January 1, 1982 and July 30, 1991.
- Data on the number of establishments, M/WBEs and their revenues from U.S. Census documents including County Business Patterns, Census of Minority and Woman-Owned Businesses and Census of Construction Industries.

These sources of data and time periods were determined by the availability of data, the number of contracts and purchase orders that we needed to examine to make

²⁴ We focused on payment data rather than award data because the Agency maintains more comprehensive data on payments than awards.

statistically reliable inferences and the types of M/WBE programs that the SFRA has implemented over the years.

Although the Agency did keep track of whether recipients of contracts or purchase orders are M/WBEs for most of the purchases we examined, we also identified M/WBEs by comparing the names and addresses of firms that received awards from the Agency with the names and addresses of firms that were listed on over 30 directories of M/WBEs that were available for the San Francisco Metropolitan Area. Names and addresses seldom match exactly because of abbreviations and typographical mistakes; consequently, we developed a computer algorithm which identified highly probable matches. When discrepancies regarding ethnic identification arose between Agency and NERA data, we conformed with the Agency.

Based on this information, we calculated the percent of prime or subcontracts (including purchases of goods and services made by the prime) received by M/WBEs and the dollar value of payments received by M/WBEs as prime or subcontractors. We then compared this percent to the utilization of M/WBEs that would be expected but for discrimination. We assumed that in the absence of discrimination the percent of prime or subcontracts and percent of dollars received by M/WBEs would equal the percent of establishments owned and operated by minorities or women in the relevant industries and in the SFRA geographic market. (For a more detailed discussion refer to Chapter 5.) We considered only establishments with at least one employee in addition to the owner for this purpose because single-person

establishments are unlikely to be qualified for most public-sector work.²⁵ We based our estimate of M/WBE availability primarily upon 1987 Census data on the number of M/WBEs and non-M/WBEs in the counties from which the Agency solicits construction contracts and procures goods and services. We examined the existence of disparities for each major race and for women within over 20 narrow industry classifications. We note that our measure of M/WBE availability does not adjust for the possibility that more and larger M/WBEs would exist but for discrimination.

In addition to determining whether M/WBEs are underutilized in the absence of an affirmative action program, we collected evidence of the extent and sources of discrimination from mail surveys, detailed personal interviews of M/WBE owners, from public hearings held with our assistance by the San Francisco Redevelopment Agency and by Contra Costa and Alameda Counties from published studies of discrimination and from court cases. This evidence helped us ascertain whether discrimination was the likely cause for those instances in which M/WBEs were underutilized.

Before we consider the extent to which M/WBEs participated in SFRA procurements, it is important to understand how the SFRA goes about soliciting construction contracts and procuring goods and services and its past and current limited

²⁵ Small professional service contracts to artists, lawyers, and other professionals would be the major exception to this statement. For these professional service categories, we used 1980 Census data on the percent of professionals in each occupation who belong to the various race groups and women.

efforts to increase M/WBE participation. We provide an overview of the SFRA procurement process in the next chapter.

CHAPTER 2

SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTING AND M/WBE PROGRAMS

Obtaining work from the public sector is invariably a more difficult, time-consuming and complex process than in the private sector. Bids involve more paperwork and successful bidders often face stiffer requirements such as insurance and, in the case of construction, bonding than is required in the private sector. Despite this, it is also a process that, at least ostensibly, is more open than in the private sector, where long-standing relationships between businesses are hard to make and hard to break. For example, prime construction contracts in the public sector are almost always awarded to the lowest responsible bidder, even one unfamiliar to the public agency that has sought the bid. Public-sector contracting, therefore, presents a

significant opportunity for new prime contractors that have not yet developed the reputations and contacts required in the private sector. On the other hand, it presents serious obstacles that are not encountered in the private sector.

The opportunities and obstacles associated with public-sector contracting are magnified for minority and woman-owned firms that are victims of discrimination. For example, in one respect, discrimination is less likely to preclude minority prime construction firms from obtaining public-sector work than from obtaining private-sector work because awards are ostensibly color-blind: the award goes to the lowest bidder regardless of race. In other ways, however, discrimination is more likely to preclude minority firms from obtaining public-sector work than from obtaining private-sector work. Public-sector requirements, such as those involving bonding, can be hard for minority firms to meet because of societal discrimination that has reduced the accumulation of wealth by minorities and contemporaneous private-sector discrimination can make it difficult for minority companies to obtain bonding and financing, as we discuss further in Chapter 7.

The extent to which public-sector contracting presents opportunities or obstacles, especially for minority and woman-owned firms, depends upon state and local contracting laws — which dictate the rules that have to be followed in soliciting and evaluating bids and the requirements that winning bidders must satisfy — and the public officials who often have discretion over the size and scope of projects put out for bid, publicizing the existence of a bid request and the time available for preparing a bid.

The opportunities available to M/WBEs are also affected by various affirmative action efforts that public-sector agencies may use.

The first section of this chapter describes the procurement practices at the SFRA divisions and their affirmative action efforts. The second section summarizes the efforts that various SFRA divisions have made to increase M/WBE participation.

A. Survey of San Francisco Redevelopment Agency Contracting Practices

SFRA contracting practices may be characterized in several ways. First, the Agency, through a variety of divisions, contracts directly for construction, professional services and commodities related to publicly financed redevelopment projects. Second, chiefly through land disposition agreements, the Agency sells or donates land to private developers for publicly desired redevelopment projects. As part of these privately financed transactions, the Agency imposes certain requirements on the developer, including, as discussed below, affirmative action requirements. The contracting practices of the various divisions are discussed below. The information on these practices was obtained through a survey of division procurement and contracting officials, supplemented by telephone interviews and a review of Agency memoranda and manuals.

1. Publicly Financed Projects

a. Construction

SFRA construction-related contracts are made through the Engineering and Rehabilitation Division. Construction projects include new buildings, rehabilitation,

roads, demolition and site clearance. Project related contracts are initiated at the request of the Executive Director or project administrator. The bidding process can take anywhere from one month to nine months or longer depending on contract size and complexity. Outside consulting services may be used to develop bid specifications on large or specialty contracts. Bids are solicited in a variety of ways including newspaper advertising, trade papers and phone solicitations. The division also typically sends over 200 notices to potential contractors by mail using a mailing list and the Agency's directories of minority and woman construction contractors and subcontractors. Bidders are required to post a bid bond and provide proof of liability insurance and worker's compensation insurance. Bids are evaluated on a number of factors including qualifications, reference checks, license validity and conformance to the affirmative action program, which requires the submission of a equal employment opportunity affidavit. After accounting for these prerequisites, the low bidder is selected for the job.

Bonding requirements apply to all contracts exceeding \$5,000 as follows: the bid bond is 10 percent of the bid, a labor and materials bond is 100 percent of the bid and a performance bond is 100 percent of the bid.

The division works closely with the Agency's Affirmative Action office to encourage M/WBE participation. With the assistance of the Affirmative Action office, the division identifies eligible M/WBEs from whom to solicit bids. Currently,

the division, like the rest of the Agency, employs a "good faith effort" requirement to secure minority and woman-owned firm participation.

b. Professional Services

Ten divisions and offices within SFRA account for most, if not all, professional service contracts: Administrative Services, Affirmative Action, Architecture, Economic Development, Engineering, Finance, Housing, Legal, Planning and Development and Real Estate. The contracting process varies across these entities. Three divisions or offices — Housing, Legal and Affirmative Action never rely on requests for proposals (RFPs) or qualifications (RFQs) to solicit bids. Five divisions sometimes or rarely use them. Only the Architecture and Administrative Divisions report using RFPs or RFQs frequently. Five divisions rely on sole source contracting to some degree. The Agency's purchasing guidelines, however, limit this practice (see purchasing discussion below).

When bids are solicited through the RFP process, requirements similar to those described for engineering (construction) apply. Three divisions report relying on newspaper advertising for soliciting bidders. Several others, including Administrative Services, rely on a master list of firms supplemented by the Affirmative Action office's M/WBE directory to solicit bidders.

All these divisions report working closely with the Affirmative Action office to identify available minority and woman-owned firms. Three divisions rely on minority newspaper advertising to supplement this effort.

c. Purchasing

Each Agency division makes many of its own purchases and designates a staff member as a "designated requisitioner." Purchases must be made following an extensive set of procedures and rules outlined in a "Purchasing and Procedures" manual.¹ This manual states the Agency's purchasing policy and outlines the procedures to follow regarding four purchasing methods: 1) small purchasing procedures (less than \$10,000); 2) competitive sealed bids (formal advertising); 3) competitive negotiation; and 4) noncompetitive negotiation. Important elements of each method are described below.

(1) Small Purchases

For small purchases, designated staff are directed to obtain at least three quotes by phone or in writing. The lowest responsible bid is to be taken, but consideration should also be given to "standardization" and delivery time.

(2) Competitive Sealed Bids

Specific requirements are imposed for competitive sealed bids. Contracts exceeding \$15,000 require advertising in the media. The lowest bidder is awarded the contract, but factors such as discounts, transportation cost and life-cycle costs may be considered if they were specified in the bid documents.

¹ The most recent manual was produced in January 1992; it describes revisions to purchasing policies which had been in place for the last 10 years or more. Among the key revisions were an increase in the dollar limit for small purchases, approval authority and M/WBE policy.

(3) Competitive Negotiation

Competitive negotiation procedures are also specified. Proposals are to be solicited from "an adequate number of bidders to permit reasonable competition consistent with the nature and requirements for purchase." No minimum number is stated and reasonable requests from unsolicited sources for consideration are to be honored to the maximum extent possible. Awards are granted on price and other evaluation factors.

(4) Noncompetitive Negotiations

Noncompetitive negotiations cover instances where: 1) the item is available only from a single source; 2) an emergency situation exists; or 3) competition is deemed inadequate. The last condition should be established by first soliciting a number of sources. No dollar guidelines or limits are imposed.

2. Privately Financed Projects

Many of SFRA's redevelopment objectives are met through privately financed projects for which the Agency provides land.² In return for the land, the private developer must build specified projects and adhere to certain Agency requirements. The Agency, through its Housing and Real Estate Divisions, solicits proposals to develop specific parcels. The Agency selects the developer and possibly the design architect for these projects. The Agency also requires the developer and architects to follow the Agency's M/WBE policies.

² SFRA provides the land through direct sales, grants and other mechanisms depending on the circumstances.

B. Summary of SFRA M/WBE Programs

SFRA has adopted measures for encouraging the hiring of minority and woman-owned businesses for federal, state and locally funded projects. SFRA, in the past, applied goals to its own projects (both publicly and privately financed). Between 1982 and 1990, SFRA required prime contractors and its own purchasing agents to meet specific M/WBE dollar utilization goals.

Utilization goals for construction contracts were based on a sliding scale. This scale was the result of negotiations between the Agency's Affirmative Action officer and a committee of the San Francisco Chapter of the Associated General Contractors. The M/WBE goal for contracts of \$1 million or less was 25 percent. The goal decreased as the contract amount increased. A 15 percent goal was imposed on contracts exceeding \$15 million. The complete goal schedule is as follows:

<u>Base Amount of Bid</u>	<u>M/WBE Range</u>		
\$15,000 - \$1,000,000		25 percent	
\$1,000,001 - \$2,000,000	\$250,000 + 24% of amount over		\$1,042,000
\$2,000,001 - \$6,000,000	\$480,000 + 22% of amount over		\$2,180,000
\$6,000,001 - \$10,000,000	\$1,320,000 + 19% of amount over		\$7,000,000
\$10,000,000 - \$15,000,000	\$1,900,000 + 16% of amount over		\$12,000,000
\$15,000,001 or more		15 percent	

Goals for professional services were set at 25 percent for MBEs and 5 percent for WBEs.

Following the Supreme Court's Croson decision, SFRA eliminated these goals and instead imposed a "good faith effort" program. Under this program, prime

contractors are encouraged, but not required, to utilize M/WBEs in contracts for both Agency funded and privately funded projects. Contractors must demonstrate that they have made specific efforts to employ M/WBE subcontractors. Agency divisions were instructed to continue their outreach efforts to such firms with the assistance of the Affirmative Action Office.

The revised policy called for Agency staff to make specific efforts to find M/WBE contractors and suppliers. These efforts are outlined in the Agency's "Purchasing Policy and Procedures" manual described above. The manual describes the Agency's good faith effort policy and outlines specific steps which must be taken including:

1. Holding an annual community meeting to inform M/WBEs of the year's opportunities.
2. Providing technical assistance for bonding and insurance.
3. Holding pre-bid/solicitation meetings.
4. Sizing contracts to provide access to M/WBEs.
5. Advertising in minority media.
6. Requiring division heads to consider M/WBEs, except in construction where low bid requirements must be followed.
7. Documentation of M/WBE outreach efforts.

The Agency's manual also identifies other procedures to promote M/WBE utilization. For example, requisitioners of small purchases are directed to contact at least three potential suppliers, and at least one supplier should be a M/WBE. The

Agency also directs its staff to assist unsuccessful M/WBE bidders by providing them with information regarding prices and subcontractors in the case of construction projects and RFPs and RFQs in the case of professional services.

In addition, contractors utilizing subcontractors must document their good faith efforts to the Agency including the responses, bids and proposals from M/WBEs. Contractors must also explain their reasons for rejecting M/WBE bidders.

Before turning to our estimation of the utilization of M/WBEs on Agency procurements, it is helpful to summarize the SFRA procurement and affirmative action efforts. Table 2.1 presents a summary of the efforts described above.

SUMMARY OF SFRA PROCUREMENT AND M/WBE PRACTICES

Procurement Practices	Type of Procurement		
	Construction	Commodity Purchasing	Professional and Personal Services
Responsible Division	Engineering and Rehabilitation	Various Divisions ¹	Various Divisions ¹
Type of Procurement	Sealed Bids	Varies ²	Varies ²
M/WBE Programs	Yes. Prior to the <u>Croson</u> decision, a goals program was in force. Post- <u>Croson</u> , a good-faith effort was applied.	Yes. Prior to the <u>Croson</u> decision, a goals program was in force. Post- <u>Croson</u> , a good-faith effort was applied.	Yes. Prior to the <u>Croson</u> decision, a goals program was in force. Post- <u>Croson</u> , a good-faith effort was applied.
RFPs/Bids Automatically Sent to M/WBEs?	No	Yes	Yes
RFPs/Bids Automatically Advertised in Minority or Woman-Oriented Media?	Yes	Yes, for bids above specific dollar thresholds.	Yes, for bids above specific dollar thresholds.
Outreach Efforts	Yes	Yes	Yes
Training and Technical Assistance	Yes	Yes	Yes

Notes

1. The principal divisions responding to our survey were planning, housing, engineering, finance, economic development, legal, administrative services, architecture, real estate and community services.
2. Procurement methods vary from request for proposal (RFP) and request for qualifications (RFQ) to sole source requests.

CHAPTER 3

UTILIZATION OF MINORITY AND WOMAN-OWNED BUSINESSES ON SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS

As we have seen, the San Francisco Redevelopment Agency has more than ten divisions, each of which procures goods and services for various purposes. These divisions issued almost 3,000 contracts and purchase orders during the period January 1, 1982 to July 30, 1991 and spent or influenced the expenditure of \$1.2 billion for goods and services. SFRA has had some form of M/WBE program for its construction, professional services and commodity purchasing contracts since 1982. This chapter reports estimates of the extent to which the SFRA has done business with M/WBEs over this period.

We base our utilization analysis on contract and purchase order data provided by SFRA. The Agency gave us computerized payment records for construction and commodity purchasing, as well as a computerized data base describing professional services contracts. These data cover the period January 1, 1982 through July 30, 1991. The computerized data were supplemented by information on professional service and construction contractors compiled by the Affirmative Action office.

We carefully reviewed these data, checking for consistency and completeness. We found, for example, that in some instances, records indicated that subcontractor payments exceeded total project payments to the prime contractors. Discrepancies of this kind were corrected following discussions with SFRA staff and references to supplemental data.

SFRA data files also provided some information on whether awardees (or subcontractors and suppliers on prime construction contracts) were M/WBEs. To further identify firm status and to confirm the M/WBE status of awardees as identified by the Agency, we compiled directories of M/WBEs from various public agencies and organizations in the greater San Francisco metropolitan area — an area from which we have determined SFRA contracts the bulk of its construction, commodities and services.¹ The next section describes our master list of M/WBEs and our procedures for determining whether SFRA firms, vendors and service providers are M/WBEs. The

¹ We describe our analysis of the geographic market for procurement in much greater detail in the next chapter.

following two sections then describe our M/WBE utilization analyses for construction contracts, professional services and purchasing, respectively.

A. Identification of M/WBEs

We compiled lists of M/WBEs from several types of sources:

1. Certification lists

Several public agencies, such as CalTrans, require that firms provide evidence that they are 51 percent owned and controlled by minorities or women as a prerequisite for participating in M/WBE programs operated by these agencies. We identified certification lists that included firms in the San Francisco Metropolitan Area.

2. Self-certification lists

Some public agencies, such as the General Services Agency of Alameda County maintain lists of firms that have identified themselves as being 51 percent owned and controlled by minorities or women.

3. Minority and Woman-Business Organizations

There are a number of minority and woman-business organizations, such as the Bay Area Minority Accounting Firms, in the greater Bay Area. Several of these organizations maintain memberships lists.

4. Professional Associations

There are several professional associations of women or minority groups in the Bay Area. Some of these associations consist of professionals who operate sole

proprietorships, partnerships or small corporations that provide services to public agencies. Table 3.1 summarizes the lists that we were able to obtain.²

The lists contain various degrees of detail. Some lists do not separately identify MBEs and WBEs while other lists provide fairly detailed ethnicity information on each firm (e.g., Hispanic, Asian, African American, Native American). Some lists provide detailed industry information (e.g., 4 digit SIC codes) while others provide no industry information. Most lists, however, did provide the address and telephone number of the firm.

Firms in the San Francisco Metropolitan Area could, of course, appear on several of the lists we used. We attempted to eliminate duplications. A computer program was used to match names from the SFRA vendors lists to firms that were identified on one or more of the M/WBE directories that were obtained. This was done in two steps.

The first step consisted of matching the various M/WBE directories against each other to eliminate duplicates between lists. The basic concept of the program was to assign a "matchability" rating to every conceivable pairing of firms; i.e., a firm on any of the M/WBE directories was compared to every other firm on an M/WBE directory. Each pair of firms was evaluated to determine how close the names were

² Some organizations, such as the Bay Area Association of Black Nurses, were not willing to provide us with lists and therefore were not included in the master directory. Other organizations did not have membership lists that were suitable for our analysis. For example, the Asian Business League maintains a list that includes many non-M/WBEs as well as Asian M/WBEs and does not identify which firms are Asian and which are not.

in terms of spelling and sound. Potential matches above a given matchability rating were checked to determine whether they were in fact matches.³ Duplicates between the M/WBE directories were then eliminated producing a unique master M/WBE directory, while preserving the most detailed and accurate information available on each firm.

The second step was to match the master M/WBE directory against the SFRA vendors lists in a procedure similar to the M/WBE duplicate elimination procedure. Every firm on a vendors list was compared to every firm on the master M/WBE directory; the potential matches were checked to determine which were actual matches, and the ethnicity and gender information of these firms were then included on the vendors lists. This provided utilization estimates based on those M/WBEs which were on one or more of the M/WBE directories. In those cases where a firm appeared on several lists, we maintained information from the list that contained the most detailed data. Thus, if a firm was listed as a MBE on one list but as an Asian MBE on another list, we assumed the firm was an Asian MBE.

These lists provide information on a total of 11,257 unique firms, 7,933 of which were located in the following counties: Alameda, Contra Costa, Marin, Napa, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Solano and Sonoma. Approximately 90 percent of the firms are MBEs, ten percent are White WBEs, and 19 percent are minority-owned WBEs. Of the minority-owned firms of either gender,

³ In the development phase, matches of much lower ratings were checked to confirm the accuracy of the program.

29 percent are African American, 16 percent are Hispanic, 13 percent are Asian, 3 percent are other ethnicities, and 39 percent are minorities whose ethnicities cannot be determined from any of the lists. The M/WBEs on the list represent many different industries; 16 percent of the firms are in the construction industries, 45 percent in professional services, and 24 percent in commodity industries.⁴ Table 3.2 reports the number of firms for each county, industry, and race group and women.

While these lists provide perhaps the best source of information on M/WBEs in the greater Bay Area, it is important to understand that they have two major limitations. First, we have not independently verified the information from the lists. For example, it is likely that the race and gender information is occasionally inaccurate. We have found a few instances in which different lists have inconsistent race and gender information on the same firm. We have also uncovered several instances in which M/WBE lists contained non-M/WBEs.⁵ We have corrected these problems when we have identified them. Second, it is possible that our master list may not include a few M/WBEs that have done business with SFRA over the time periods examined in this chapter. M/WBEs who have not been certified by one of

⁴ Construction includes building construction, heavy construction and specialty trade construction. Professional services includes business, health, engineering, accounting, research, management, security brokers and dealers, insurance agents and brokers, real estate, legal, social and unidentified services. Commodities includes retail trade, wholesale trade and manufacturing industries.

⁵ For example, we were provided with a list of certified M/WBEs by the Regional Transit Association (RTA) which included several large majority owned firms. RTA provided us with a corrected list after we pointed this problem out. We also found that the Asian Business League list included many majority-owned firms. Since there was no way for us to determine which of these were majority and which were Asian, we decided not to use this list.

the agencies or who have not joined minority or woman-business organizations from whom we received lists would not be included on our master list. This problem is probably not important in the case of construction since the long history of M/WBE programs in this area has given M/WBEs strong financial incentives to become certified. It is more important in professional services and purchasing since fewer public agencies have programs in these areas, thereby reducing the financial incentives for firms in these industries to become certified.

To correct for these possible problems, we have attempted to verify the M/WBE status of Agency vendors by comparing our status determinations to those presented in SFRA's files. Where we found discrepancies, we conferred with Agency staff familiar with minority firms and, in some cases, telephoned a firm to establish its status.

B. Overall Utilization

We have calculated SFRA's utilization of M/WBEs from several perspectives to better determine any special or unique utilization patterns. Throughout our analysis, we have distinguished between publicly funded and privately funded Agency projects. We make this distinction because, as indicated in Chapter 2, bidding procedures and affirmative action efforts are somewhat different. The Agency may, for example, have less ability to monitor affirmative action requirements in its privately financed projects. We also distinguish between prime contractors, subcontractors, and second-tier subcontractors. This is an important distinction because there are likely to be

important differences in utilization across contracting levels, and as will be discussed in the next chapter, important differences in availability. M/WBE prime contractors with direct access to the Agency, for example, may achieve greater utilization than M/WBE subcontractors who must work through primarily majority prime contractors. Finally, we distinguish by procurement category — construction, professional services and purchasing (commodities) — and contractor industry as designated by SIC codes. Again, we would expect both M/WBE utilization and availability differences among these categories because of the different industries involved.

Table 3.3 summarizes our M/WBE utilization calculations for SFRA. These utilization figures cover the period January 1, 1982 through June 30, 1991 and account for more than \$1.2 billion in redevelopment projects (over 90 percent of the funds are from private sources). Almost 3,000 contracts are included. These tables present utilization measured in terms of contract dollars and in terms of the number of contracts. For example, as shown on page one of Table 3.3, Asian American contractors accounted for 3.21 percent of SFRA's privately financed projects in dollar terms, but 7.74 percent of the total number of privately financed contracts. There are notable differences between publicly and privately financed contracts. In most cases, M/WBE utilization is higher for publicly funded contracts. As shown on page one of Table 3.3, this is true for utilization calculated in terms of dollars or number of contracts. Only Hispanic firms fared significantly better on privately financed contracts according to the dollar-based utilization calculations.

C. Utilization by Industry Sector

We next calculated M/WBE utilization by Standard Industry Classification (SIC). This was necessary in order to make consistent comparisons to the M/WBE availability data described in Chapter 4. We assigned the appropriate SIC code to each contract based on written descriptions of the work performed. In some instances, we determined a contract's classification by referring to the contracting firm's classification as presented in the 1989/90 Directory of California Licensed Contractors.⁶

Table 3.4-A presents the M/WBE numerical contract and contract dollar utilization by two digit SIC by combining publicly and privately financed contracts. Tables 3.4-B and 3.4-C present the M/WBE numerical contract and contract dollar utilization separately for privately financed contracts and publicly financed contracts respectively. Only industries in which there were at least ten contracts issued were identified.⁷ As shown, using either measure, M/WBE utilization varies considerably across industries. For example, as shown on page one and two of Table 3.4-A, on a contract dollar basis, M/WBEs account for slightly over 80 percent of the contract dollars available for fabricated metal products (SIC 34), but for 0 percent of building materials (SIC 52). There is also great variation within the racial and ethnic

⁶ 1989/90 Directory of California Licensed Contractors, Building News, Inc., 1989.

⁷ A minimum of ten contracts is necessary for us to make statistically reliable comparisons of utilization and availability.

categories. In addition, publicly financed contract utilization was higher than privately financed contracts for almost all industries.

D. Utilization By Contract Type

We also examined SFRA utilization of M/WBEs by contract type, i.e., construction, professional services and purchasing. Table 3.5-A shows the M/WBE utilization rates for construction contracts by contract dollars and number of contracts. Again, utilization is generally higher for publicly financed contracts, Hispanic-owned firms presenting the only exception.

1. Construction

Table 3.5-B presents construction contract utilization accounting for contract level — prime contracts, subcontracts, lower-tier subcontracts — as well as public vs. private financing. This breakdown shows that African American and Asian contractors are more utilized in public sector subcontracts, but that Hispanic and Asian prime contractors achieve greater utilization under privately financed contracts. African American construction prime contractors, however, exhibit a much higher use under publicly financed projects. Also note that African American lower-tier subcontractors achieve much higher utilization than the other M/WBE categories.

2. Professional Services

Table 3.6 presents M/WBE utilization for SFRA's professional service contracting activities. Over 200 contracts accounting for more than \$45 million are

covered. In this case, all M/WBE categories except Hispanics fare better under publicly financed projects.

3. Commodity Purchasing

Table 3.7 presents M/WBE utilization for SFRA's commodity purchasing activities. Over 500 contracts accounting for more than \$89 million are covered. Overall, M/WBEs fare better in publicly financed contracts, but among the ethnic groups there is some deviation from this pattern.

**MINORITY CERTIFICATION LISTS INCORPORATED INTO NERA'S MASTER LIST OF
MINORITY FIRMS**

Alameda County Purchasing Minority Vendors List
 California Department of Transportation
 Contra Costa County
 City of Oakland
 Port of Oakland
 Regional Transit Association, through the
 Metropolitan Transportation Commission
 Richmond Housing and Redevelopment Agency
 Sacramento County Department of General Services
 Sacramento Housing and Redevelopment Agency
 Sacramento Municipal Utility District
 San Diego
 San Francisco Human Rights Commission
 San Francisco Redevelopment Agency
 San Jose
 Santa Clara County Transportation Agency
 Asian Inc.: Asian Business Association of Southern California
 Asian Inc.: Associated Asian Certified Public Accountants (SF)
 Asian Inc.: Asian Business Association of Northern California
 Asian Inc.: Asian American Architects and Engineers (SF and LA)
 Asian Inc.: Council of Asian American Business Associations (SF)
 Asian Inc.: Asian Contractors' Association
 Bay Area Minority Accounting Firms
 National Association of Minority Contractors Northern California
 (a.k.a. Technical Data Corporation List)
 Black Women Organized for Political Action
 Charles Houston Bar Association
 Solano County Purchasing Council
 Contra Costa County Black Chamber of Commerce
 Black Chamber of Commerce of California:
 Minority Business and Professional Directory¹
 The Black Business Exchange
 Blacks in Energy
 California Minority Counsel Program (ABA group)
 Friends Making a Difference
 Sinkler Miller Medical Association²

Sources and Notes

¹ This Directory includes not only African American owned business, but also businesses owned by other minorities.

² This is a San Francisco Metropolitan Area organization of African American doctors.

**SUMMARY OF MASTER MINORITY-AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE**

ALAMEDA COUNTY

ETHNICITIES

Business Type	Asian/ Pacific Islander (1)	ETHNICITIES					Asian (8)	Asian (1 or 2) (6)	Asian Unknown (9)	Total (10)
		Asian Indian, Bangla-deshi, American (Black) (2)	African American (3)	Hispanic (4)	Native American/ Alaskan (5)	Middle Bus. Enterprise Either (1-5) (6)				
Construction										
Ownership:										
Male	22	2	101	40	0	19	6	4	11	205
Female	3	0	2	3	0	4	17	1	9	39
Total	25	2	103	43	0	23	23	5	20	244
Personal Services										
Ownership:										
Male	69	7	503	38	3	295	7	9	9	940
Female	14	1	50	4	0	5	24	5	49	152
Total	83	8	553	42	3	300	31	14	58	1,092
Purchasing										
Ownership:										
Male	25	3	112	38	5	113	3	12	14	325
Female	1	0	10	6	3	9	25	3	19	76
Total	26	3	122	44	8	122	28	15	33	401
Unknown or Other										
Ownership:										
Male	32	0	548	38	1	23	0	3	2	641
Female	1	0	0	0	0	0	7	0	5	13
Total	33	0	548	38	1	23	7	3	7	660
TOTAL										
Male	148	12	1,264	154	9	450	16	28	36	2,117
Female	19	1	62	13	3	18	73	9	82	280
Total	167	13	1,326	167	12	468	89	37	118	2,397

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Table 3.2
Page 1 of 15

SUMMARY OF MASTER MINORITY-AND WOMAN-OWNED BUSINESS, 1.1ST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

CONTRA COSTA COUNTY

		ETHNICITIES																
		Asian/ Pacific Islander			Asian Indian, Bangladeshi, American Pakistani			Native American/ Hispanic (Black)			Minority Bus. Enterprise	Other/ White	Asian (Either 1 or 2)	Ethnicity Unknown				
Business Type		(1)	(2)	(3)	(4)	(5)	(6)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Construction	Ownership:																	
	Male	6	0	30	36	1	9	1	4	0	0	4	87					
	Female	0	0	2	1	0	1	4	0	0	1	9						
	Total	6	0	32	37	1	10	5	0	0	5	96						
Personal Services	Ownership:																	
	Male	29	8	143	18	4	43	0	15	1	6	2	253					
	Female	3	1	12	2	2	3	15	1	1	32	71						
	Total	32	9	155	20	6	46	15	7	7	34	324						
Purchasing	Ownership:																	
	Male	11	2	69	15	0	28	0	13	1	1	8	134					
	Female	4	0	4	3	0	3	13	1	1	9	37						
	Total	15	2	73	18	0	31	13	2	2	17	171						
Unknown or Other	Ownership:																	
	Male	3	0	106	13	1	10	0	0	0	0	2	135					
	Female	13	0	0	0	0	0	2	0	0	6	21						
	Total	16	0	106	13	1	10	2	0	0	8	156						
TOTAL	Male	49	10	348	82	6	90	1	7	7	16	609						
	Female	20	1	18	6	2	7	34	2	2	48	138						
	Total	69	11	366	88	8	97	35	9	9	64	747						

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Table 3.2
Page 2 of 15

SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

		ETHNICITIES										
		Asian/ Pacific Islands	Asian Indian, Bangladeshi,	African American (Black)	Hispanic Native Alaskan	Native American/ Native Alaskan (Either 1-5)	Minority Bus. Enterprise (Either 1-5)	Other/ White	Asian [Either 1-9 or 11]	Asian [Either 1-9 or 11]	Ethnicity Unknown	Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
<u>Construction</u>												
<u>Ownership:</u>												
Male	3	2	3	9	0	0	0	0	1	0	18	
Female	0	0	0	2	0	2	3	3	0	1	8	
Total	3	2	3	11	0	2	3	3	1	1	26	
<u>Personal Services</u>												
<u>Ownership:</u>												
Male	4	1	9	5	0	7	0	4	4	0	30	
Female	0	1	1	0	0	1	5	0	18	18	26	
Total	4	2	10	5	0	8	5	4	18	18	56	
<u>Purchasing</u>												
<u>Ownership:</u>												
Male	1	0	8	2	0	1	0	0	0	1	13	
Female	0	0	1	2	0	0	4	0	4	4	11	
Total	1	0	9	4	0	1	4	0	0	5	24	
<u>Unknown or Other</u>												
<u>Ownership:</u>												
Male	5	0	7	3	0	0	0	0	0	0	15	
Female	0	0	0	0	0	0	4	0	1	1	5	
Total	5	0	7	3	0	0	4	0	0	1	20	
<u>TOTAL</u>												
Male	13	3	27	19	0	8	0	5	1	76		
Female	0	1	2	4	0	3	16	0	24	50		
Total	13	4	29	23	0	11	16	5	25	126		

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SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

NAPA COUNTY		ETHNICITIES									
Business Type	Asian/Pacific Islands	Asian Indian,	African	Native	Minority Bus.	Other/ White (7)	Asian (8)	Asian Ethnicity (10)			
		Bangladesh, Pakistani	American (Black)	Hispanic (4)	American Alaskan (5)			Unknown (9)			
Construction Ownership:				2	0		0	0	0	0	2
Male	0	0	0	0	0		1	0	0	0	1
Female	0	0	0	2	0		1	0	0	0	3
Total	0	0	0	2	0		1	0	0	0	3
Personal Services Ownership:				0	0		0	0	0	0	1
Male	1	0	0	0	0		0	0	0	0	1
Female	0	0	2	0	0		0	0	0	1	3
Total	1	0	2	0	0		0	0	0	1	4
Purchasing Ownership:				0	0		1	0	0	0	1
Male	0	0	0	0	0		1	0	0	0	1
Female	0	0	0	0	0		0	0	0	0	1
Total	0	0	0	0	0		1	0	0	0	2
Unknown or Other Ownership:				3	0		0	0	0	-	4
Male	0	0	0	3	0		0	0	0	-	4
Female	0	0	0	0	0		0	0	0	-	0
Total	0	0	0	3	0		0	0	0	-	4
TOTAL				5	0		1	0	0	1	8
Male	1	0	0	0	1		0	0	0	2	6
Female	0	0	2	0	1		0	1	0	2	6
Total	1	0	2	0	1		1	1	0	3	14

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SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SACRAMENTO COUNTY

		ETHNICITIES									
Business Type	Business Owner	Asian/Pacific Islander	Asian Indian, Bangladeshi, Pakistani	African American (Black)	Hispanic Native Alaskan	Native American/Hispanic Native Alaskan	Minority Bus. Enterprise [Either 1-5]	Other/White	Asian [Either 1 or 2]	Ethnicity Unknown	Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
<u>Construction</u>											
Ownership:											
Male	5	0	7	15	2	29	0	0	4	62	
Female	3	0	0	1	0	1	15	0	0	41	
Total	8	0	7	16	2	30	15	0	25	103	
<u>Personal Services</u>											
Ownership:											
Male	35	5	36	20	3	86	0	0	16	201	
Female	2	0	5	5	0	7	63	0	60	142	
Total	37	5	41	25	3	93	63	0	76	343	
<u>Purchasing</u>											
Ownership:											
Male	15	2	12	27	3	32	0	1	38	130	
Female	7	0	1	5	0	0	49	0	41	103	
Total	22	2	13	32	3	32	49	1	79	233	
<u>Unknown or Other</u>											
Ownership:											
Male	13	0	6	15	0	3	0	0	19	56	
Female	3	0	0	1	2	0	16	0	11	33	
Total	16	0	6	16	2	3	16	0	30	89	
<u>TOTAL</u>											
Male	68	7	61	77	8	150	0	1	77	449	
Female	15	0	6	12	2	8	143	0	133	319	
Total	83	7	67	89	10	158	143	1	210	768	

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**SUMMARY OF MASTER MINORITY-AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE**

SAN FRANCISCO COUNTY

		ETHNICITIES									
		Asian/ Pacific Islander	Asian Indian, Bangladeshi, <u>Pakistani</u>	African American (Black)	Hispanic	Native American/ Alaskan (Ethnic 1-5)	Minority Bus. Enterprise (Ethnic 1-5)	Other/ White	Asian (Either 1 or 2)	Asian Unknown	Total (10)
<u>Construction</u>											
Ownership:											
Male		100	3	60	56	1	13	1	1	1	236
Female		0	0	5	1	0	4	7	0	8	25
Total		100	3	65	57	1	17	8	1	9	261
<u>Personal Services</u>											
Ownership:											
Male		168	8	230	50	2	214	2	27	9	710
Female		23	1	27	3	1	5	31	3	136	250
Total		191	9	257	53	3	219	33	30	165	960
<u>Purchasing</u>											
Ownership:											
Male		63	3	42	30	0	67	1	5	1	212
Female		13	0	11	2	0	8	6	0	36	76
Total		76	3	53	32	0	75	7	5	37	288
<u>Unknown or Other</u>											
Ownership:											
Male		110	0	103	25	0	3	0	1	2	244
Female		3	0	1	0	0	0	3	0	2	9
Total		113	0	104	25	0	3	3	1	4	253
<u>TOTAL</u>											
Male		441	14	435	161	3	297	4	34	13	1,402
Female		39	1	44	6	1	17	47	3	202	360
Total		480	15	479	167	4	314	51	37	215	1,762

SUMMARY OF MASTER MINORITY-AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SAN JOAQUIN COUNTY

		ETHNICITIES										
Business Type	(1)	Asian/ Pacific Islander	Asian Indian,	African American (Black)	Hispanic Native Alaskan	Native American/ Asian Indian	Native American/ Asian Indian	Minority Bus. Enterprise [Either 1-5]	Other/ White	Asian [Either 1-2]	Ethnicity Unknown	Total (10)
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<u>Construction</u>												
Ownership:												
Male	2	0	2	6	3	4	0	0	0	0	17	
Female	0	0	0	0	1	0	5	0	0	0	6	
Total	2	0	2	6	4	4	5	0	0	0	23	
<u>Personal Services</u>												
Ownership:												
Male	1	0	3	5	0	8	0	0	0	1	18	
Female	0	0	0	0	0	0	2	0	0	2	4	
Total	1	0	3	5	0	8	2	0	0	3	22	
<u>Purchasing</u>												
Ownership:												
Male	0	0	1	6	1	7	0	0	0	1	16	
Female	0	0	0	0	0	0	7	0	0	1	8	
Total	0	0	1	6	1	7	7	0	0	2	24	
<u>Unknown or Other</u>												
Ownership:												
Male	3	0	5	10	0	0	0	0	0	2	20	
Female	0	0	0	0	1	0	1	0	0	0	2	
Total	3	0	5	10	1	0	1	0	0	2	22	
<u>TOTAL</u>												
Male	6	0	11	27	4	19	0	0	0	4	71	
Female	0	0	0	0	2	0	15	0	0	3	20	
Total	6	0	11	27	6	19	15	0	0	7	91	

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SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SAN MATEO COUNTY

		ETHNICITIES									
		Asian/Pacific Islander (1)	Asian Indian, Pakistani (2)	African American (Black) (3)	Hispanic Native Alaskan' (Either 1-5) (4)	Native American/Other (5)	Minority Bus. Enterprise (6)	Other/White (7)	Asian [Either 1)(or 2)] (8)	Asian Ethnicity Unknown (9)	Total (10)
<u>Construction</u>											
<u>Ownership:</u>											
Male	9	1	14	24	0	3	0	1	1	53	
Female	1	0	1	1	0	0	4	1	3	11	
Total	10	1	15	25	0	3	4	2	4	64	
<u>Personal Services</u>											
<u>Ownership:</u>											
Male	8	4	14	12	0	29	0	3	1	71	
Female	3	0	2	1	0	0	9	1	11	27	
Total	11	4	16	13	0	29	9	4	12	98	
<u>Purchasing</u>											
<u>Ownership:</u>											
Male	5	1	9	16	2	18	0	12	4	67	
Female	1	0	1	1	0	2	6	0	22	33	
Total	6	1	10	17	2	20	6	12	26	100	
<u>Unknown or Other</u>											
<u>Ownership:</u>											
Male	11	0	20	17	0	1	0	0	2	51	
Female	0	0	2	0	0	0	4	0	3	9	
Total	11	0	22	17	0	1	4	0	5	60	
<u>TOTAL</u>											
Male	33	6	57	69	2	51	0	16	8	242	
Female	5	0	6	3	0	2	23	2	39	80	
Total	38	6	63	72	2	53	23	18	47	322	

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**SUMMARY OF MASTER MINORITY-AN. -OMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE**

SANTA CLARA COUNTY

		ETHNICITIES											
		Asian/ Pacific Islander	Asian Indian, Bangladeshi, Pakistani	African American (Black)	Hispanic (4)	Native American/ Alaskan	Native Alaskan	Minority Bus. Enterprise (Either 1-5)	Other/ White (7)	Asian (8)	Elder (Over 21) Unknown (9)	Asian Total (10)	
<u>Construction</u>													
<u>Ownership:</u>													
Male	10	2	9	65	2	18	0	2	0	0	108		
Female	1	0	0	8	1	2	12	0	4	4	28		
Total	11	2	9	73	3	20	12	2	4	4	136		
<u>Personal Services</u>													
<u>Ownership:</u>													
Male	28	9	47	41	1	92	0	6	2	2	226		
Female	6	2	9	4	0	1	15	2	23	23	62		
Total	34	11	56	45	1	93	15	8	25	25	288		
<u>Purchasing</u>													
<u>Ownership:</u>													
Male	11	1	13	17	0	45	0	5	7	7	99		
Female	2	1	2	3	2	3	11	0	15	15	39		
Total	13	2	15	20	2	48	11	5	22	22	138		
<u>Unknown or Other</u>													
<u>Ownership:</u>													
Male	24	0	27	45	1	1	0	1	2	2	101		
Female	0	0	2	0	0	0	1	0	1	1	4		
Total	24	0	29	45	1	1	1	1	1	1	105		
<u>TOTAL</u>													
Male	73	12	96	168	4	156	0	14	11	11	534		
Female	9	3	13	15	3	6	39	2	43	43	133		
Total	82	15	109	183	7	162	39	16	54	54	667		

SUMMARY OF MASTER MINORITY- AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SOLANO COUNTY

ETHNICITIES

Business Type	(1)	Asian/Pacific Islander			Asian Indian, Bangladeshi, American Pakistani			Native American/Hispanic Native Alaskan			Minority Bus. Enterprise (Either 1-5)			Other White (7)	Asian/Either 1 or 2 (8)	Unknown (9)	Total (10)
		(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)							
<u>Construction</u>																	
Ownership:																	
Male	5	0	0	0	8	0	17	0	0	0	0	0	0	0	0	0	30
Female	0	0	0	0	0	0	5	0	0	0	0	0	14	19	14	14	49
Total	5	0	0	0	8	0	22	0	0	0	0	0	14	19	14	14	49
<u>Personal Services</u>																	
Ownership:																	
Male	4	0	13	4	1	140	1	0	0	1	0	1	1	1	1	1	164
Female	0	0	5	0	0	90	1	1	1	1	1	1	254	351	351	351	515
Total	4	0	18	4	1	230	2	1	1	1	1	1	255	351	351	351	515
<u>Purchasing</u>																	
Ownership:																	
Male	2	0	10	3	0	134	0	0	0	0	0	1	1	1	1	1	150
Female	0	0	1	0	1	53	1	1	0	0	0	0	179	385	385	385	385
Total	2	0	11	3	1	187	1	1	0	0	0	0	180	385	385	385	385
<u>Unknown or Other</u>																	
Ownership:																	
Male	0	0	26	1	0	1	0	0	0	0	0	0	0	0	0	0	28
Female	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3	3	3
Total	0	0	26	1	0	1	0	0	0	0	0	0	0	0	0	0	31
<u>TOTAL</u>																	
Male	11	0	49	16	1	292	1	0	0	0	0	0	2	372	608	608	608
Female	0	0	6	0	1	148	2	1	1	1	1	1	450	980	980	980	980
Total	11	0	55	16	2	440	3	1	1	1	1	1	452	980	980	980	980

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SUMMARY OF MASTER MINORITY- AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SONOMA COUNTY

		ETHNICITIES										
		Asian/ Pacific Islander	Asian Indian, Bangladeshi,	African American (Black)	Native American/ Hispanic	Native Alaskan [Either (1-5)]	Minority Bus. Enterprise	Other/ White	Asian [Either (1-2)]	Ethnicity Unknown	Total	
Business Type	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)		
<u>Construction</u>												
Ownership:												
Male	0	0	3	5	2	1	0	0	0	0	11	
Female	0	0	0	0	0	0	1	0	0	1	2	
Total	0	0	3	5	2	1	1	0	0	1	13	
<u>Personal Services</u>												
Ownership:												
Male	5	0	4	1	0	3	0	1	0	0	14	
Female	0	0	0	1	0	0	1	0	1	1	3	
Total	5	0	4	2	0	3	1	1	1	1	17	
<u>Purchasing</u>												
Ownership:												
Male	0	0	2	3	2	1	0	0	0	0	8	
Female	0	0	0	1	0	0	7	0	0	1	9	
Total	0	0	2	4	2	1	7	0	0	1	17	
<u>Unknown or Other</u>												
Ownership:												
Male	2	0	2	5	0	0	0	0	0	1	10	
Female	0	0	0	0	0	0	2	0	0	0	2	
Total	2	0	2	5	0	0	2	0	0	1	12	
<u>nera</u>												
<u>TOTAL</u>												
Male	7	0	11	14	4	5	0	1	1	1	43	
Female	0	0	0	2	0	0	11	0	0	3	16	
Total	7	0	11	16	4	5	11	1	1	4	59	

SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

SAN FRANCISCO METROPOLITAN AREA COUNTIES¹

ETHNICITIES									
Business Type	Ownership:	Asian/ Pacific Islander	Asian Indian	African American	Native American/ Black	Hispanic Native Alaskan (Elmer 1-5)	Other/ White	Asian [Either 1 or 2]	Total (10)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(9)
<u>Construction</u>									
Male	162	10	229	266	11	113	8	9	21
Female	8	0	10	17	2	19	69	2	62
Total	170	10	239	283	13	132	77	11	83
<u>Personal Services</u>									
Male	352	42	1,002	194	14	917	10	56	41
Female	51	6	113	20	3	112	166	13	607
Total	403	48	1,115	214	17	1,029	176	69	1,091
<u>Purchasing</u>									
Male	133	12	278	157	13	447	4	36	75
Female	28	1	31	23	7	78	129	4	328
Total	161	13	309	180	20	525	133	40	403
<u>Unknown or Other</u>									
Male	203	0	850	175	3	42	0	5	33
Female	20	0	5	1	3	0	40	0	32
Total	223	0	855	176	6	42	40	5	65
<u>TOTAL</u>									
Male	850	64	2,359	792	41	1,519	22	106	170
Female	107	7	159	61	15	209	404	19	1,029
Total	957	71	2,518	853	56	1,728	426	125	1,199

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SUMMARY OF MASTER MINORITY AND WOMAN-OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

TOTAL LIST										ETHNICITIES										
Business Type	Asian/ Pacific Islander	Asian Indian,		African American		Native American/ Black		Hispanic Native Alaskan		Native Alaskan		Minority Bus. Enterprise		Other/ White		Asian Either (1-2)		Unknown		Total
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	
<u>Construction</u>																				
Ownership:																				
Male	192	17	320	495	42	239	14	12	36	1,367										
Female	12	0	11	31	4	22	209	2	124	415										
Total	204	17	331	526	46	261	223	14	160	1,782										
<u>Personal Services</u>																				
Ownership:																				
Male	512	79	1,199	422	30	1,100	12	59	67	3,480										
Female	68	7	125	44	5	116	426	16	767	1,574										
Total	580	86	1,324	466	35	1,216	438	75	834	5,054										
<u>Purchasing</u>																				
Ownership:																				
Male	193	22	391	344	32	529	5	41	106	1,663										
Female	44	2	35	46	11	79	346	6	418	987										
Total	237	24	426	390	43	608	351	47	524	2,650										
<u>Unknown or Other</u>																				
Ownership:																				
Male	284	1	867	264	9	85	0	9	53	1,572										
Female	23	0	24	5	3	0	90	1	53	199										
Total	307	1	891	269	12	85	90	10	106	1,771										
<u>TOTAL</u>																				
Male	1,181	119	2,777	1,525	113	1,953	31	121	262	8,082										
Female	147	9	195	126	23	217	1,071	25	1,362	3,175										
Total	1,328	128	2,972	1,651	136	2,170	1,102	146	1,624	11,257										

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SUMMARY OF MASTER MINORITY- AND WOMAN- OWNED BUSINESS LIST
NUMBER OF VENDORS BY ETHNICITY, GENDER AND BUSINESS TYPE

OUTSIDE SAN FRANCISCO METROPOLITAN AREA

ETHNICITIES

Business Type	(1)	Ethnicities					Asian (8)	Asian/ Other (10)	
		Asian/ Pacific Islander (2)	African American (Black) (3)	Hispanic (4)	Native American/ Alaskan (5)	Minority Bus. Enterprise Either (1-5) (6)			
<u>Construction</u>									
Ownership:									
Male	30	7	91	229	31	126	6	3	15
Female	4	0	1	14	2	3	140	0	62
Total	34	7	92	243	33	129	146	3	226
<u>Personal Services</u>									
Ownership:									
Male	160	37	197	228	16	183	2	3	852
Female	17	1	12	24	2	4	260	3	483
Total	177	38	209	252	18	187	262	6	1,335
<u>Purchasing</u>									
Ownership:									
Male	60	10	113	187	19	82	1	5	31
Female	16	1	4	23	4	1	217	2	90
Total	76	11	117	210	23	83	218	7	121
<u>Unknown or Other</u>									
Ownership:									
Male	81	1	17	89	6	43	0	4	261
Female	3	0	19	4	0	0	50	1	98
Total	84	1	36	93	6	43	50	5	359
<u>TOTAL</u>									
Male	331	55	418	733	72	434	9	15	92
Female	40	2	36	65	8	8	667	6	333
Total	371	57	454	798	80	442	676	21	1,165

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Notes: 1 Includes the following counties: Alameda, Contra Costa, Marin, Napa, Sacramento, San Francisco, San Joaquin, San Mateo,
Santa Clara, Solano, and Sonoma.

Sources:

Alameda County Purchasing Minority Vendors List

California Department of Transportation

Contra Costa County

City of Oakland

Port of Oakland

Regional Transit Association, through the Metropolitan Transportation Commission

Ricmond Housing and Redevelopment Agency

Sacramento County Department of General Services

Sacramento Housing and Redevelopment Agency

Sacramento Municipal Utility District

San Diego

San Francisco Human Rights Commission

San Francisco Redevelopment Agency

San Jose

Asian Inc.

Bay Area Minority Accounting Firms

National Association of Minority Contractors Northern California (a.k.a. Technical Data Corporation list)

Black Women Organized for Political Action

Charles Houston Bar Association

Solano County Purchasing Council

Contra Costa County Black Chamber of Commerce

Black Chamber of Commerce of California: Minority Business and Professional Directory [This directory includes not only African-American-owned businesses, but also businesses owned by other minorities.]
The Black Business Exchange

California Minority Counsel Program (ABA group)

Friends Making a Difference

Sinclair Miller Medical Association [This is a Bay Area organization of African-American doctors]

OVERALL UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
 SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
 PRIVATELY AND PUBLICLY FINANCED CONTRACTS
 JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount	Percent	Amount	Percent
(1)		(2)		(3)	
(1)	Contract Dollars	\$1,178,729,216	100.00%	\$48,738,856	100.00%
(2)	Number of Contracts	2,572	100.00%	373	100.00%
	Contract Dollars by Ethnicity and Gender				
(3)	African American	\$69,187,229	5.87%	\$6,157,387	12.63%
(4)	Asian	\$37,827,516	3.21%	\$5,512,432	11.31%
(5)	Hispanic	\$68,161,808	5.78%	\$1,260,288	2.59%
(6)	Native American/Aleut	\$1,112,776	0.09%	\$0	0.00%
(7)	Total MBE	\$176,289,329	14.96%	\$12,930,107	26.53%
(8)	Total WBE	\$18,030,500	1.53%	\$1,284,559	2.64%
(9)	Total MBE and WBE ¹	\$184,617,376	15.66%	\$14,650,537	30.06%
	Number of Contracts by Ethnicity and Gender				
(10)	African American	298	11.59%	53	14.21%
(11)	Asian	199	7.74%	46	12.31%
(12)	Hispanic	162	6.30%	29	7.77%
(13)	Native American/Aleut	2	0.08%	0	0.00%
(14)	Total MBE	661	25.70%	128	34.32%
(15)	Total WBE	112	4.35%	36	9.65%
(16)	Total MBE and WBE ¹	749	29.12%	156	41.82%

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¹ (9) may be less than (7)+(8), and (16) may be less than (14)+(15) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but are counted only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS PRIME CONTRACTORS
SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
PRIVATELY AND PUBLICLY FINANCED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991**

Line No.	Line Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount	Percent	Amount	Percent
(1)	Contract Dollars	\$633,609,152	100.00%	\$28,834,012	100.00%
(2)	Number of Contracts	224	100.00%	160	100.00%
(3)	Contract Dollars by Ethnicity and Gender of Prince African American	\$33,837,008	5.18%	\$3,289,151	11.41%
(4)	Asian	\$24,726,664	3.78%	\$731,776	2.54%
(5)	Hispanic	\$17,359,076	2.66%	\$69,048	0.24%
(6)	Native American/Aleut	\$0	0.00%	\$0	0.00%
(7)	Total MBE	\$75,922,748	11.62%	\$4,089,975	14.18%
(8)	Total WBE	\$8,166,391	1.25%	\$284,086	0.99%
(9)	Total MBE and WBE ¹	\$75,947,064	11.62%	\$5,024,571	17.43%
Number of Contracts by Ethnicity and Gender of Prince					
(10)	African American	17	7.59%	2	13.13%
(11)	Asian	39	17.41%	15	9.38%
(12)	Hispanic	8	3.57%	2	1.25%
(13)	Native American/Aleut	0	0.00%	0	0.00%
(14)	Total MBE	64	28.57%	38	23.75%
(15)	Total WBE	5	2.23%	4	2.50%
(16)	Total MBE and WBE ¹	65	29.02%	44	27.50%

¹ (9) may be less than (7)+(8), and (16) may be less than (14)+(15) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but are counted only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
NERA Master Minority- and Woman-Owned Business List.

UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS SUBCONTRACTORS
SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
PRIVATELY AND PUBLICLY FINANCED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount	Percent	Amount	Percent
(1)	Subcontract Dollars	\$510,686,016	100.00%	\$18,676,588	100.00%
(2)	Number of Contracts	2,249	100.00%	204	100.00%
	Subcontract Dollars by Ethnicity and Gender				
(3)	African American	\$31,878,459	6.24%	\$2,868,236	15.36%
(4)	Asian	\$12,451,295	2.44%	\$4,778,656	25.59%
(5)	Hispanic	\$50,40,504	9.87%	\$1,191,240	6.38%
(6)	Native American/Alaskan	\$1,11,776	0.22%	\$0	0.00%
(7)	Total MBE	\$95,43,034	18.77%	\$8,838,132	47.32%
(8)	Total WBE	\$9,602,464	1.88%	\$960,473	5.14%
(9)	Total MBE and WBE ¹	\$103,885,112	20.34%	\$9,623,966	51.53%
	Number of Subcontracts by Ethnicity and Gender				
(10)	African American	266	11.83%	32	3.2
(11)	Asian	153	6.80%	30	14.71%
(12)	Hispanic	148	6.58%	27	13.24%
(13)	Native American/Alaskan	2	0.09%	0	0.00%
(14)	Total MBE	569	25.30%	89	43.63%
(15)	Total WBE	102	4.54%	31	15.20%
(16)	Total MBE and WBE ¹	651	28.95%	111	54.41%

¹ (9) may be less than (7)+(8), and (16) may be less than (14)+(15) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but are counted only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS SECOND-TIER SUBCONTRACTORS
SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
PRIVATELY AND PUBLICLY FINANCED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount (1)	Percent (2)	Amount (3)	Percent (4)
(1)	Subcontract Dollars	\$14,433,996	100.00%	\$1,228,255	100.00%
(2)	Number of Contracts	99	100.00%	9	100.00%
Subcontract Dollars by Ethnicity and Gender					
(3)	African American	\$3,471,767	24.05%	\$0	0.00%
(4)	Asian	\$649,558	4.50%	\$2,000	0.16%
(5)	Hispanic	\$402,229	2.79%	\$0	0.00%
(6)	Native American/Alaskan Native	\$0	0.00%	\$0	0.00%
(7)	Total MBE	\$4,523,554	31.34%	\$2,000	0.16%
(8)	Total WBE	\$261,644	1.81%	\$40,000	3.26%
(9)	Total MBE and WBE¹	\$4,785,198	33.15%	\$2,000	0.16%
Number of Subcontracts by Ethnicity and Gender					
(10)	African American	15	15.15%	0	0.00%
(11)	Asian	7	7.07%	1	11.11%
(12)	Hispanic	6	6.06%	0	0.00%
(13)	Native American/Alaskan Native	0	0.00%	0	0.00%
(14)	Total MBE	28	28.28%	1	11.11%
(15)	Total WBE	5	5.05%	1	11.11%
(16)	Total MBE and WBE¹	33	33.33%	1	11.11%

¹ (9) may be less than (7)+(8), and (16) may be less than (14)+(15) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but are counted only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

OVERALL UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
 SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
 PRIVATELY FINANCED, PUBLICLY FINANCED AND UNCLASSIFIED CONTRACTS (COMBINED)
 JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Contract Dollars by Ethnicity and Gender		Number of Contracts by Ethnicity and Gender	
		Amount (1)	Percent (2)	Amount (3)	Percent (4)
(1)	Total	\$1,227,467,976	100.00%	2,945	100.00%
(2)	African American	\$75,344,621	6.14%	351	11.92%
(3)	Asian	\$43,359,948	3.53%	245	8.32%
(4)	Hispanic	\$69,422,096	5.66%	191	6.49%
(5)	Native American/Aleut	\$1,112,776	0.09%	2	0.07%
(6)	Total MBE	\$189,219,441	15.42%	789	26.79%
(7)	Total WBE	\$19,315,058	1.57%	148	5.03%
(8)	Total MBE and WBE ¹	\$199,267,920	16.23%	905	30.73%

¹ (8) is less than (6)+(7) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS PRIME CONTRACTORS
 SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
 PRIVATELY FINANCED, PUBLICLY FINANCED AND UNCLASSIFIED CONTRACTS (COMBINED)
 JANUARY 1, 1982-JULY 30, 1991

Line No.	Line Item	Contract Dollars by Ethnicity and Gender of Prime			
		Amount	Percent	Amount	Percent
(1)	Total	\$682,443,144	100.00%	384	100.00%
(2)	African American	\$37,126,160	5.44%	38	9.90%
(3)	Asian	\$25,458,440	3.73%	54	14.06%
(4)	Hispanic	\$17,428,124	2.55%	10	2.60%
(5)	Native American/Alcat	\$0	0.00%	0	0.00%
(6)	Total MBE	\$80,012,724	11.72%	102	26.56%
(6)	Total WBE	\$8,450,477	1.24%	9	2.34%
(7)	Total MBE and WBE ¹	\$80,971,632	11.86%	109	28.39%
(8)					

¹ (8) is less than (6)+(7) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS SUBCONTRACTORS
SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
PRIVATELY FINANCED, PUBLICLY FINANCED AND UNCLASSIFIED CONTRACTS (COMBINED)
JANUARY 1, 1982-JULY 30, 1991**

Line No.	Line Item	Subcontract Dollars by Ethnicity and Gender			
		Amount	Percent	Amount	Percent
(1)	Total	\$529,362,592	100.00%	2,453	100.00%
(2)	African American	\$34,746,695	6.56%	298	12.15%
(3)	Asian	\$17,229,952	3.25%	183	7.46%
(4)	Hispanic	\$51,591,744	9.75%	175	7.13%
(5)	Native American/Aleut	\$1,112,776	0.21%	2	0.08%
(6)	Total MBE	\$104,681,167	19.77%	658	26.82%
(7)	Total WBE	\$10,562,937	2.00%	133	5.42%
(8)	Total MBE and WBE ¹	\$113,509,080	21.44%	762	31.06%

¹ (8) is less than (6)+(7) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
NERA Master Minority- and Woman-Owned Business List.

UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES AS SECOND-TIER SUBCONTRACTORS
SAN FRANCISCO REDEVELOPMENT AGENCY CONTRACTS
PRIVATELY FINANCED, PUBLICLY FINANCED AND UNCLASSIFIED CONTRACTS (COMBINED)
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Subcontract Dollars by		Number of Subcontracts by	
		Amount	Percent	Amount	Percent
(1)	Total	\$15,662,251	100.00%	108	100.00%
(2)	African American	\$3,471,767	22.17%	15	13.69%
(3)	Asian	\$631,558	4.16%	8	7.41%
(4)	Hispanic	\$402,229	2.57%	6	5.6%
(5)	Native American/Alcat	\$0	0.0%	0	0.0%
(6)	Total MBE	\$4,525,534	28.89%	29	26.85%
(7)	Total WBE	\$301,644	1.93%	6	5.56%
(8)	Total MBE and WBE ¹	\$4,787,198	30.57%	34	31.48%

¹ (8) is less than (6)+(7) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but only once in the combined MBE and WBE total.

Sources: Data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

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SAN FRANCISCO REDEVELOPMENT AGENCY
UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
PRIVATELY AND PUBLICLY FINANCED CONTRACTS COMBINED

Line No.	Line Item	SIC-07		SIC-15		SIC-16		SIC-17		SIC-34		SIC-42	
		Total Contracts	Total Dollars										
(1)	Total Contracts	68	\$48,729	128	\$484,793,312	54	\$3,618,650	1,964	\$604,335,232	12	\$1,819,176	51	
(2)	Total Dollars	57,687,299											
	Dollars Received by Ethnicity and Gender												
(3)	African American	\$15,540	\$29,729,080	\$50,000	\$59,236,044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(4)	Asian	0.29%	6.08%	1.38%	6.19%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.46%	35.46%
(5)	Percent of Total	\$2,191,105	\$7,427,282	\$0	\$28,011,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(6)	Percent of Total	28.50%	1.53%	0.00%	4.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(7)	Hispanic	\$186,584	\$1,014,300	\$378,973	\$62,413,304	\$0	\$2,860,865	\$0	\$13,000	\$0	\$0	\$0	\$0
(8)	Percent of Total	2.41%	0.36%	10.47%	10.31%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.80%	1.80%
(9)	Native American	\$0	\$0	\$0	\$1,112,776	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
(10)	Percent of Total	0.00%	0.00%	0.00%	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11)	Total MBB/(D)+(S)+(T)+(H+G)	\$2,393,229	\$38,740,662	\$428,973	\$131,063,804	\$2,947,238	\$68,418,919	\$0	\$0	\$0	\$0	\$0	\$0
(12)	Percent of Total	31.13%	7.99%	11.85%	21.69%	0.00%	77.30%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(13)	Total WBBS	\$150,646	\$0	\$623,405	\$14,343,181	\$0	\$117,000	\$0	\$0	\$0	\$0	\$0	\$0
(14)	Percent of Total	1.70%	0.00%	17.24%	3.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(15)	Total MBB and WBBS	\$2,523,475	\$38,740,664	\$1,092,778	\$131,063,856	\$3,064,238	\$697,210	\$0	\$0	\$0	\$0	\$0	\$0
(16)	Utilization	32.83%	7.99%	29.09%	22.76%	80.37%	37.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Contracts by Ethnicity and Gender												
(17)	African American	1	16	1	249	0	0	0	0	0	0	0	24
(18)	Asian	1.47%	12.50%	1.85%	12.68%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	47.06%
(19)	Percent of Total	13	22	0	160	1	1	1	1	1	1	1	0
(20)	Hispanic	19,126	17,176	0.00%	8.15%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(21)	Percent of Total	7	2,	8	144	4	4	4	4	4	4	4	1
(22)	Native American	0	0	0	733%	0	0	0	0	0	0	0	0
(23)	Percent of Total	0	0	0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(24)	Total MBB/(D)+(S)+(T)+(H+G)	30,88%	31,25%	16.67%	28,26%	5	5	5	5	5	5	5	25
(25)	Percent of Total	21	40	9	77	0	0	0	0	0	0	0	49.07%
(26)	Total WBBS	5	0	11	77	0	0	0	0	0	0	0	0
(27)	Percent of Total	7,315%	0.00%	20,37%	3,927%	0	0	0	0	0	0	0	0
(28)	Total MBB and WBBS	26	40	20	615	7	7	7	7	7	7	7	27
(29)	Percent of Total	38,24%	31,25%	31,04%	31,31%	58.33%	52.94%	52.94%	52.94%	52.94%	52.94%	52.94%	52.94%
	Landscape Services												
(30)	SIC-07:												
	Bulding Construction-General Contractors and Operative Builders												
	SIC-15:												
	Heavy Construction other than Building Construction												
	SIC-16:												
	Construction-Special Trade Contractors												
	SIC-17:												
	Manufacturing-Fabricated Metal Products												
	SIC-34:												
	Motor Freight Transportation and Warehousing												
	SIC-42:												

Notes and Sources

Note: (1) is less than (11)+(13) and (2) is less than (23)+(27) due to the presence of minority-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBB and total WBBS but only once in the combined MBB and WBBS total.

Sources: NIBR analysis of contract data provided by the San Francisco Redevelopment Agency, NIBR Market Minority- and Woman-Owned Business & Law

SAN FRANCISCO REDEVELOPMENT AGENCY
UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
PRIVATELY AND PUBLICLY FINANCED CONTRACTS COMBINED

Line No.	Line Item	SIC-50	SIC-52	SIC-53	SIC-63	SIC-73	SIC-81	SIC-87	Unknown
(1)	Total Contracts	\$29,225	\$29,047	\$79,139,100	\$79,047	12	16	54	19
(2)	Total Dollars	\$29,439,100	\$79,139,100	\$79,139,100	\$79,139,100	\$573,240	\$5,286,522	\$3,423,906	\$36,423,924
	Dollars Received by Branch by Gender								
(3)	African American	\$1,231,180	\$0	\$16,528	\$1,426,364	\$64,656	\$1,481,283	\$47,145	
(4)	Percent of Total	4.18%	0.00%	27.31%	26.4%	2.29%	4.07%	5.47%	
(5)	Asian	\$359,134	\$0	\$3,860	\$197,200	\$107,785	\$4,178,646	\$319,399	
(6)	Percent of Total	1.22%	0.00%	0.65%	3.59%	3.62%	11.47%	11.47%	
(7)	Hispanic	\$18,331	\$0	\$0	\$20,000	\$0	\$1,301,406	\$244,225	
(8)	Percent of Total	0.27%	0.00%	0.00%	0.37%	0.00%	0.67%	4.23%	
(9)	Native American	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
(10)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
(11)	Total MBB (1)+(2)+(3)+(4)+(5)	\$1,668,645	\$0	\$160,328	\$1,639,364	\$17,441	\$3,904,154	\$2,544,390	
(12)	Percent of Total	5.67%	0.00%	27.97%	30.44%	1.15%	16.21%	7.94%	
(13)	Total WBB	\$1,119,647	\$0	\$0	\$161,600	\$16,080	\$2,194,724	\$35,236	
(14)	Percent of Total	3.40%	0.00%	0.00%	3.00%	1.59%	6.03%	0.17%	
(15)	Total MBB and WBB	\$2,780,261	\$0	\$221,228	\$1,687,073	\$310,776	\$6,477,465	\$2,604,390	
(16)	Utilization	9.34%	0.00%	40.35%	35.03%	18.09%	17.18%	7.97%	
	Contracts by Branch by Gender								
(17)	African American	14	0	3	17	1	13	9	
(18)	Percent of Total	6.22%	0.00%	18.75%	31.45%	5.26%	9.22%	4.89%	
(19)	Asian	7	0	1	2	3	30	5	
(20)	Percent of Total	3.11%	0.00%	6.25%	3.70%	15.79%	21.28%	2.77%	
(21)	Hispanic	3	0	0	1	0	5	15	
(22)	Percent of Total	1.33%	0.00%	0.00%	1.85%	0.00%	3.55%	4.15%	
(23)	Native American	0	0	0	0	0	0	0	
(24)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
(25)	Total MBB (1)+(2)+(3)+(4)+(5)	24	0	4	20	4	48	29	
(26)	Percent of Total	10.67%	0.00%	23.00%	37.04%	21.05%	34.04%	15.70%	
(27)	Total WBB	18	0	0	5	1	16	5	
(28)	Percent of Total	8.00%	0.00%	0.00%	9.26%	5.26%	11.35%	2.72%	
(29)	Total MBB and WBB	41	0	5	26	5	58	30	
(30)	Percent of Total	18.22%	0.00%	31.25%	48.15%	26.32%	41.13%	16.30%	

Wholesale Trade Durable Goods
 Building Materials, Hardware, Garden Supply, and Mobile Home Dealers
 Real Estate
 Business Services
 Legal Services
 Engineering, Accounting, Research, Management, and Related Services

Notes and Sources

Note: (15) is less than (11)-(13) and (29) is less than (23)+(27) due to the presence of minority women-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBB and total WBB but only once in the combined MBB and WBB total.

Sources: NEHA analysis of contract data provided by the San Francisco Redevelopment Agency

NHLA Minority and Women-Owned Business List

SAN FRANCISCO REDEVELOPMENT AGENCY
UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
PRIVATELY FINANCED CONTRACTS

Line No.	Line Item	SIC-07	SIC-15	SIC-16	SIC-17	SIC-34	SIC-42
(1)	Total Contracts	\$1	115	34	1,860	11	34
(2)	Total Dollars	\$6,331,391	\$480,768,832	\$1,072,902	\$386,596,160	\$3,699,228	\$1,632,823
	Dollars Received by Ethnicity and Gender						
(3)	African American	\$0	\$7,272,6492	\$50,000	\$37,627,976	\$0	\$39,123
(4)	Percent of Total	0.00%	5.67%	1.63%	6.41%	0.00%	36.25%
(5)	Asian	\$1,322,157	\$7,413,482	50	\$26,155,820	\$14,373	30
(6)	Percent of Total	20.88%	1.54%	0.00%	4.46%	3.96%	0.00%
(7)	Hispanic	\$161,504	\$1,834,300	\$245,425	\$61,412,056	\$2,600,465	50
(8)	Percent of Total	2.55%	0.38%	7.59%	7.51%	73.11%	0.00%
(9)	Native American	\$0	\$0	50	\$1,112,776	\$0	30
(10)	Percent of Total	0.00%	0.00%	0.19%	0.09%	0.00%	
(11)	Total MBB(1)+(2)+(7)+(9)	\$1,483,661	\$6,484,274	\$295,425	\$1,26,628	\$2,947,238	\$39,123
(12)	Percent of Total	23.43%	7.59%	9.61%	21.51%	79.65%	36.25%
(13)	Total WBB	\$37,636	\$0	\$543,105	\$13,351,192	\$4,000	\$13,602
(14)	Percent of Total	0.59%	0.00%	17.10%	23.9%	0.11%	0.17%
(15)	Total MBB and WBB	\$1,521,297	\$6,484,276	\$40,530	\$132,549,068	\$2,951,238	\$6,023
(16)	Percent of Total	24.03%	7.59%	27.35%	22,60%	79.77%	36.01%
	Contracts by Ethnicity and Gender						
(17)	African American	0	13	1	233	0	15
(18)	Percent of Total	0.00%	11.30%	2.94%	12.53%	0.00%	44.12%
(19)	Asian	8	21	0	149	1	0
(20)	Percent of Total	15.69%	18.26%	0.00%	8.01%	9.09%	0.00%
(21)	Hispanic	5	2	4	129	4	0
(22)	Percent of Total	9.80%	1.74%	11.76%	6.94%	36.36%	0.00%
(23)	Native American	0	0	0	2	0	0
(24)	Percent of Total	0.00%	0.00%	0.00%	0.11%	0.00%	0.00%
(25)	Total MBB(1)+(9)+(21)+(23)	13	36	5	513	5	15
(26)	Percent of Total	25.49%	31.30%	14.71%	27.5%	43.45%	44.12%
(27)	Total WBB	2	0	4	70	1	3
(28)	Percent of Total	3.92%	0.00%	23.53%	3,768	9.09%	8.87%
(29)	Total MBB and WBB	15	36	13	569	6	16
(30)	Percent of Total	29.41%	31.30%	38.24%	30,55%	54.55%	47.00%

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Landscaping Services
 SIC-07:
 Building Construction-General Contractors and Operative Builders
 SIC-13:
 Heavy Construction other than Building Construction
 SIC-16:
 Construction Special Trade Contractors
 SIC-17:
 Manufacturing Industrial Metal Products
 SIC-34:
 Motor Freight Transporters and Warehousing
 SIC-42:

Notes and Sources
 Note: 1

(15) is less than (11)+(13) and (29) is less than (25)+(27) due to the presence of minority women-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBB and total WBB but only once in the combined MBB and WBB total

Source: NERA Analysis of contract data provided by the San Francisco Redevelopment Agency.
 NERA Minority and Woman-Owned Business List

N FRANCISCO REDEVELOPMENT AGENCY
UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
PRIVATELY FINANCED CONTRACTS

Line No.	Line Item	SIC-50	SIC-52	SIC-73	SIC-87	Utilization
(1)	Total Contracts	220	12	27	26	163
(2)	Total Dollars	\$78,325,938	\$793,047	\$2,706,408	\$22,456,412	\$77,837,092
	Dollars Received by Ethnicity and Gender					
(3)	African American	\$1,201,180	\$0	\$8,50,221	\$65,000	\$49,300
(4)	Percent of Total	4.35%	0.00%	31.42%	0.28%	0.05%
(5)	Asian	\$286,373	\$0	\$0	\$2,183,911	\$19,399
(6)	Percent of Total	1.01%	0.00%	0.00%	9.35%	1.15%
(7)	Hispanic	\$78,331	\$0	\$0	\$237,699	\$1,210,049
(8)	Percent of Total	0.28%	0.00%	0.00%	1.04%	4.71%
(9)	Native American	\$0	\$0	\$0	\$0	\$0
(10)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(11)	Total MBB(3)+(5)+(7)+(9)	\$1,595,884	\$0	\$8,50,221	\$2,460,060	\$2,489,748
(12)	Percent of Total	5.63%	0.00%	31.42%	8.85%	8.94%
(13)	Total WBB	\$1,119,647	\$0	\$7,800	\$1,927,223	\$25,294
(14)	Percent of Total	3.95%	0.00%	0.00%	8.43%	0.09%
(15)	Total MBB and WBB	\$2,677,500	\$0	\$8,50,071	\$2,460,060	\$2,489,748
(16)	Utilization	9.43%	0.00%	31.70%	10.85%	8.94%
	Contracts by Ethnicity and Gender					
(17)	African American	14	0	10	2	7
(18)	Percent of Total	6.36%	0.00%	37.04%	69%	4.29%
(19)	Asian	5	0	0	10	5
(20)	Percent of Total	2.27%	0.00%	0.00%	36.46%	3.07%
(21)	Hispanic	3	0	0	4	10
(22)	Percent of Total	1.36%	0.00%	0.00%	15.38%	6.13%
(23)	Native American	0	0	0	0	0
(24)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(25)	Total MBB(17)+(19)+(21)+(22)	10,00%	0	10	16	22
(26)	Percent of Total	11	0	37.04%	61.54%	13.50%
(27)	Total WBB	8,18%	0.00%	3.70%	23.06%	2
(28)	Percent of Total	39	0	11	16	23
(29)	Total MBB and WBB	17,73%	0.00%	40.74%	61.34%	14.11%
(30)	Percent of Total					

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Table 3.4-B
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Notes and Sources

Note 1: (15) is less than (11)+(13) and (29) is less than (25)+(27) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both local MBB and local WBB but only once in the cumulative MBB and WBB total.

Note 2: NIKA analysis of contract class provided by the San Francisco Redevelopment Agency.

NIKA Master Minority and Women-Owned Business List.

SIC-50: Wholesale Trade-Durable Goods
 SIC-52: Building Materials, Hardware, Garden Supply, and Metal Home Dealers
 SIC-73: Business Services
 SIC-87: Engineering, Accounting, Research, Management, and Related Services

SAN FRANCISCO REDEVELOPMENT AGENCY
UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
PUBLICLY FINANCED CONTRACTS

Line No.	Line Item	SIC-07	SIC-15	SIC-16	SIC-17	SIC-42
(1)	Total Contracts	17	13	20	104	17
(2)	Total Dollars	\$1,355,908	\$4,024,490	\$545,148	\$17,739,052	\$185,353
	Dollars Received by Ethnicity and Gender					
(3)	African American	\$15,540	\$2,242,587	\$0	\$1,608,069	\$2,696
(4)	Persons of Total	1,15%	55.72%	0.0%	9.07%	28.43%
(5)	Asian	\$668,948	\$13,800	\$0	\$2,145,859	50
(6)	Persons of Total	64.09%	0.34%	0.0%	12.10%	0.60%
(7)	Hispanic	\$25,080	\$0	\$133,248	\$1,001,247	\$33,000
(8)	Persons of Total	1.85%	0.00%	24.47%	5.64%	17.80%
(9)	Native American	\$0	\$0	\$0	\$0	50
(10)	Persons of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(11)	Total MBB [(3)+(5)+(7)+(9)]	\$909,568	\$2,264,387	\$133,248	\$4,751,173	\$45,696
(12)	Persons of Total	67.08%	56.07%	24.47%	26.81%	46.23%
(13)	Total WBB	\$93,010	\$0	\$87,700	\$187,969	\$4,073
(14)	Persons of Total	6.46%	0.00%	14.42%	2.19%	2.01%
(15)	Total MBB and WBB 1	\$1,002,578	\$2,264,387	\$212,248	\$5,001,049	\$47,187
(16)	Utilization	73.94%	56.07%	38.89%	28.23%	47.04%
	Contracts by Ethnicity and Gender					
(17)	African American	1	3	0	16	9
(18)	Persons of Total	5.48%	23.08%	0.0%	13.18%	52.94%
(19)	Asian	5	1	0	11	0
(20)	Persons of Total	29.41%	7.69%	0.0%	10.58%	0.0%
(21)	Hispanic	2	0	4	15	1
(22)	Persons of Total	11.76%	0.00%	20.00%	14.42%	5.88%
(23)	Native American	0	0	0	0	0
(24)	Persons of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(25)	Total MBB [(17)+(19)+(21)+(23)]	4	4	4	42	10
(26)	Persons of Total	47,065	30,775	20.00%	40.38%	58.82%
(27)	Total WBB	3	0	3	7	3
(28)	Persons of Total	17.65%	0.00%	15.04%	6.73%	17.65%
(29)	Total MBB and WBB 1	11	4	7	46	11
(30)	Persons of Total	64,715	30,775	35.00%	44.23%	64.71%

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Notes and Sources:
 SIC-07: Landscaping Services
 SIC-15: Building Construction-General Contractors and Operative Builders
 SIC-16: Heavy Construction other than Building Construction
 SIC-17: Construction Special Trade Contractors
 SIC-42: Motor Freight Transportation and Warehousing

Note: 1
 (15) is less than (11)+(13) and (27) is less than (25) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBB and total WBB but only once in the combined MBB and WBB total.

Source: NERA analysis of contract data provided by the San Francisco Redevelopment Agency.
 NERA Master Minority- and Woman-Owned Business List.

S.A. FRANCISCO REDEVELOPMENT AGENCY

UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE

PUBLICLY FINANCED CONTRACTS

Line No.	Line Item	SIC 65	SIC 73	SIC 81	SIC 87	Unknown
(1)	Total Contracts	16	27	19	112	21
(2)	Total Dollars	\$573,240	\$2,680,114	\$4,23,906	\$13,427,739	\$4,345,598
	Dollars Recovered by Ethnicity and Gender					
(3)	African American	\$156,528	\$76,143	\$64,636	\$1,416,281	\$24,885
(4)	Percent of Total	27.31%	21.50%	2.29%	10.79%	0.57%
(5)	Asian	\$1,840	\$193,200	\$107,785	\$1,194,735	\$0
(6)	Percent of Total	0.06%	7.21%	3.87%	15.19%	0.00%
(7)	Hispanic	\$0	\$20,000	\$0	\$1,056	\$40,357
(8)	Percent of Total	0.00%	0.75%	0.00%	0.05%	0.93%
(9)	Native American	\$0	\$0	\$0	\$0	\$0
(10)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(11)	Total MBB(1+5)+(7)+9)	\$160,328	\$789,343	\$172,441	\$3,418,074	\$45,242
(12)	Percent of Total	27.97%	29.45%	6.11%	26.04%	1.56%
(13)	Total WBB	\$0	\$153,800	\$45,000	\$267,501	\$29,942
(14)	Percent of Total	0.00%	5.74%	1.59%	2.04%	0.49%
(15)	Total MBB and WBB	\$231,328	\$1,029,052	\$51,077.6	\$3,391,183	\$45,242
(16)	Utilization	40.35%	38.40%	18.09%	30.40%	1.50%
	Contracts by Ethnicity and Gender					
(17)	African American	3	7	1	11	2
(18)	Percent of Total	18.75%	25.93%	5.26%	9.47%	9.52%
(19)	Asian	1	2	3	20	0
(20)	Percent of Total	6.25%	7.41%	15.79%	17.86%	0.00%
(21)	Hispanic	0	1	0	1	5
(22)	Percent of Total	0.00%	3.70%	0.00%	0.89%	21.81%
(23)	Native American	0	0	0	0	0
(24)	Percent of Total	0.00%	0.00%	0.00%	0.00%	0.00%
(25)	Total MBB(1)+(19)+(21)+(23)	25,00%	37.04%	21.05%	28.57%	33.33%
(26)	Percent of Total	0	4	1	10	3
(27)	Total WBB	0	14.81%	5.26%	8.93%	14.29%
(28)	Percent of Total	0.00%	5	15	42	7
(29)	Total MBB and WBB	31.25%	55.56%	26.32%	37.50%	33.33%
(30)	Percent of Total					

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Notes and Sources

Note: 1 (1) is less than (11)+(13) and (27) is less than (25)+(27) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBB and total WBB but only once in the combined MBB and WBB total.

Sources: NIRA analysis of contract data provided by the San Francisco Redevelopment Agency
SIC 65: Real Estate
SIC 73: Business Services
SIC 81: Legal Services
SIC 87: Engineering, Accounting, Research, Management, and Related Services
SIC 89: NIRA Major Minority - Woman-Owned Businesses Law.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY OVERALL CONSTRUCTION CONTRACTS
PUBLICLY AND PRIVATELY FINANCED CONTRACTS
JANUARY 1, 1982 - JULY 30, 1991**

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount (1)	Percent (2)	Amount (3)	Percent (4)
(1)	Contract Dollars	\$1,070,437,888	100.00%	\$22,309,290	100.00%
(2)	Number of Contracts	2,009	100.00%	137	100.00%
<i>Contract Dollars by Ethnicity and Gender of Business</i>					
(3)	African American	\$64,914,468	6.06%	\$3,850,656	17.26%
(4)	Asian	\$34,682,080	3.24%	\$2,159,659	9.68%
(5)	Hispanic	\$63,491,780	5.93%	\$1,134,795	5.09%
(6)	Total MBE	\$163,088,328	15.24%	\$7,145,110	32.03%
(7)	Total WBE	\$14,500,297	1.35%	\$426,689	1.91%
<i>Number of Contracts by Ethnicity and Gender of Business</i>					
(8)	African American	247	12.29%	19	13.87%
(9)	Asian	172	8.56%	12	8.76%
(10)	Hispanic	135	6.72%	19	13.87%
(11)	Total MBE	554	27.58%	50	36.30%
(12)	Total WBE	78	3.88%	9	6.57%

Note: The construction procurement category includes SIC-15, SIC-16, and SIC-17.

Sources: NERA analysis of contract data from the San Francisco Redevelopment Agency,
NERA Master Minority- and Woman-Owned Business List.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY CONSTRUCTION CONTRACTS BY CONTRACTOR TYPE
PUBLICLY AND PRIVATELY FINANCED CONTRACTS
JANUARY 1, 1982 - JULY 30, 1991**

Line No.	Line Item	Privately-Financed Contracts				Publicly-Financed Contracts			
		Prime Contracts		Subcontracts		Prime Contracts		Subcontracts	
		(1)	(2)	(3)	(Percent)	(3)	(4)	(4)	(Percent)
(1)	Contract Dollars	\$616,001,856	\$441,547,552	\$11,144,603		\$10,938,432			
(2)	Number of Contracts	184	1,747	29		101			
Contract Dollars by Ethnicity and Gender of Business									
(3)	African American	5.31%	6.52%	20.27%		14.55%			
(4)	Asian	3.71%	2.58%	0.74%		18.99%			
(5)	Hispanic	2.68%	10.56%	0.62%		9.74%			
(6)	Total MBE	11.70%	19.66%	21.63%		43.28%			
(7)	Total WBE	1.06%	1.75%	0.00%		3.90%			
Number of Contracts by Ethnicity and Gender of Business									
(8)	African American	7.61%	12.82%	13.79%		14.85%			
(9)	Asian	18.49%	7.61%	10.35%		8.91%			
(10)	Hispanic	2.72%	7.16%	6.90%		16.83%			
(11)	Total MBE	28.81%	27.59%	31.04%		40.59%			
(12)	Total WBE	0.54%	4.18%	0.00%		8.91%			

Note: The construction procurement category includes SIC-15, SIC-16, and SIC-17.

Sources: NERA analysis of contract data from the San Francisco Redevelopment Agency.
NERA Master Minority- and Woman-Owned Business List.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY PROFESSIONAL AND PERSONAL SERVICE CONTRACTS
PUBLICLY AND PRIVATELY FINANCED CONTRACTS
JANUARY 1, 1982 - JULY 30, 1991**

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount	Percent	Amount	Percent
(1)	Contract Dollars	\$26,002,572	100.00%	\$19,205,020	100.00%
(2)	Number of Contracts	56	100.00%	174	100.00%
	Contract Dollars by Ethnicity and Gender of Business				
(3)	African American	\$915,221	3.52%	\$2,201,962	11.47%
(4)	Asian	\$2,183,911	8.40%	\$2,299,520	11.97%
(5)	Hispanic	\$237,169	0.91%	\$27,056	0.14%
(6)	Total MBE	\$3,336,301	12.83%	\$4,248,538	23.58%
(7)	Total WBE	\$1,935,023	7.44%	\$4,663,301	24.3%
	Number of Contracts by Ethnicity and Gender of Business				
(8)	African American	12	21.43%	21	12.07%
(9)	Asian	10	17.86%	26	14.94%
(10)	Hispanic	4	7.14%	2	1.15%
(11)	Total MBE	26	46.43%	49	28.16%
(12)	Total WBE	7	12.50%	15	8.62%

Note: The construction procurement category includes SIC(60-65), SIC-67, SIC(70-89), SIC-94, SIC-96.

Sources: NERA analysis of contract data from the San Francisco Redevelopment Agency.
NERA Master Minority- and Woman-Owned Business List.

**UTILIZATION OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY PURCHASING CONTRACTS
PUBLICLY AND PRIVATELY FINANCED CONTRACTS
JANUARY 1, 1982 - JULY 30, 1991**

Line No.	Line-Item	Privately-Financed Contracts		Publicly-Financed Contracts	
		Amount (1)	Percent (2)	Amount (3)	Percent (4)
(1)	Contract Dollars	\$82,288,712	100.00%	\$7,224,546	100.00%
(2)	Number of Contracts	507	100.00%	62	100.00%
	Contract Dollars by Ethnicity and Gender of Business				
(3)	African American	\$3,357,543	4.08%	\$93,121	1.29%
(4)	Asian	\$2,074,302	2.52%	\$1,053,253	14.56%
(5)	Hispanic	\$4,432,862	5.39%	\$98,437	1.36%
(6)	Total MBE	\$9,864,707	11.99%	\$1,244,811	17.23%
(7)	Total WBE	\$1,595,179	1.94%	\$351,569	4.87%
	Number of Contracts by Ethnicity and Gender of Business				
(8)	African American	39	7.69%	12	19.35%
(9)	Asian	19	3.75%	8	12.90%
(10)	Hispanic	23	4.54%	8	12.90%
(11)	Total MBE	81	15.98%	28	45.16%
(12)	Total WBE	27	5.33%	11	17.74%

Note: The construction procurement category includes SIC-07, SIC(24-25), SIC(32-34), SIC-42, SIC-47, SIC(49-50) and SIC-52.

Sources: NERA Master Minority- and Woman-Owned Business List.
NERA analysis of contract data from the San Francisco Redevelopment Agency

CHAPTER 4

**AVAILABILITY OF MINORITY AND WOMAN-OWNED FIRMS
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY
GEOGRAPHIC MARKET**

Having measured the San Francisco Redevelopment Agency's actual utilization of M/WBEs, we now examine the availability of M/WBEs that could work on SFRA projects. The first section of this chapter discusses our methodology for developing estimates of availability that can be used to assess whether there are disparities between the availability and utilization of M/WBEs. The second section describes the geographic area from which SFRA procures most of the goods and services it requires. It is necessary to determine this geographic area for each major industry in order to tailor the estimates of availability to the relevant market. The

third section presents estimates of the current availability of minority and nonminority firms within the geographic market. The fourth section presents estimates of the potential availability of minority firms within the geographic market that could be developed over time and that could provide a basis for setting M/WBE goals.

A. Availability and the Examination of Disparities

To better understand how information on M/WBE availability can be used to determine whether M/WBEs are significantly underutilized, we consider several simple examples. Suppose that there were one million firms available to do business with SFRA and that each one of these firms has exactly the same qualifications. Each firm is of the same size, experience, capitalization and so forth. But some of the firm owners are African American and others are white. Let us suppose that 25 percent are African American and 75 percent are white. When SFRA has to pick a contractor to do a job (or when SFRA's prime contractors have to pick subcontractors), we can, for this simple and obviously unrealistic world, think of SFRA (or their prime contractors) as picking a firm from this large pool of equally qualified firms.¹ Suppose SFRA has to choose 100 contractors from this pool. How many of these contractors will be African American-owned firms and how many will be white-owned firms? The answer is, we do not know for sure. Depending upon how it picks from this pool it might sometimes, as a result of chance, pick predominantly African

¹ This simple example corresponds to what is known in statistics as an urn model. You have an urn with one million black and white balls in a proportion of 25 percent and 75 percent. You pick 100 balls at a time from this urn.

American or predominately white firms. But we know, from the laws of probability, that "on average" — over the many times that SFRA goes out and chooses 100 contractors — it will get 25 African American-owned firms and 75 white-owned firms. We would not be surprised, however, if SFRA sometimes chose 20 African American firms or sometimes 30.²

What if SFRA chose only one African American contractor out of 100 contractors? Could this be due to chance? It could, but the likelihood of this happening is so low that we would be very surprised. It turns out that the probability of picking only one African American contractor out of 100 contractors when 25 percent of the contractors are African American is less than one in one million. In this case, statisticians would say that the result is so unusual that it probably is not due to chance. For any particular number of African American contractors chosen, it is possible, using elementary statistical methods, to determine whether the number is so unusual that it is not likely to be due to the normal luck of the draw.³ If African Americans were chosen infrequently, we would suspect that the game of picking firms is not being played fairly — the people picking the firms are intentionally shying away from the African American firms or there is something that makes it harder for these firms to get picked.

² The selections are random even in the case of awards to the lowest bidder. Each bidder make guesses concerning the bids to be submitted by other bidders and therefore, there is a great deal of uncertainty in this process.

³ The particular method here is known as the binomial formula, which gives the probability of any particular number of choices from a given number of draws.

The problem with the example we have just given is that there are likely to be very substantial differences between the firms SFRA can choose, even once SFRA narrows the population of firms down to those firms they deem responsive and responsible and capable of performing work. While there are statistical methods available to take differences between firms into account, reliable data on the quality of firms are not available to implement these methods. Moreover, the differences might be matters more of perception than of necessity and might therefore reflect current or past discrimination. Hence, as a cursory way to compare the utilization and availability of M/WBEs, the simple statistical framework described here is adequate, especially if we are willing to make some assumptions about the sources and importance of discrimination, as we do below.

What percent of contracts or contract dollars would go to M/WBEs in the absence of discrimination? The answer to this question depends upon a number of assumptions about the importance of various sources of discrimination and differences between race groups in business interest and ability. To help focus our discussion we will consider three alternative scenarios about the extent of discrimination.

The first scenario is one that the Supreme Court explicitly rejected in Croson. Suppose that there was no difference in business interest and ability between men and women and among races. We would expect that the distribution of business ownership across race and sex groups would mirror the distribution of working-age individuals across these race and sex groups. That is, if 10 percent of the working-age

population consists of Hispanic women, then we would expect that 10 percent of all paving firms would be operated by Hispanic women *in the absence of discrimination*. This scenario is subject to the two objections made by Justice O'Connor.⁴ First, business ownership differs dramatically across ethnic groups. It is difficult to ascribe these differences solely to discrimination.^{5,6} Second, differences in business ownership across race groups may result from societal discrimination — e.g., the long-lived effects of slavery and Jim Crow laws on African Americans — which is beyond the scope of nonfederal governmental units to remedy.⁷ The Court in Croson strongly rejected simplistic population comparisons for both of these reasons.⁸ This is not to say, however, that general population percentages are irrelevant — they may prove useful, as we shall see in the next section, for establishing program goals.

⁴ 109 S.Ct. 706, at 723-728.

⁵ The strict scrutiny standard adopted by the Court in Croson would appear to preclude state and local entities from remedying societal discrimination. See our discussion in Chapter 1 for more details.

⁶ See U.S. Small Business Administration, State of Small Business 1988, Chapter 5, for discussion of business participation across ethnic groups.

⁷ Data from the 1982 Characteristics of Business Owners Survey show that 32.3 percent of nonminority male construction company owners had a relative who owned a business compared with 16 percent for African American construction company owners, 25.5 percent for Asians, and 22.7 percent for Hispanics. Nonminority male construction company owners were more than twice as likely to have worked for a relative with a business than were African American male construction company owners (19.2 percent versus 8.2 percent); there were only slightly less dramatic differences for other races. See State of Small Business 1988, cited above, for more details.

⁸ As mentioned earlier, the Court's skepticism in Croson of the assumption that the racial composition of businesses should mirror the racial composition of the population echoed its skepticism of the assumption that the racial composition of the skilled workforce should mirror the racial composition of the population in several Title VII decisions, most recently in Wards Cove.

For our second scenario, we restrict our attention to those M/WBEs and nonminority firms that have the same qualifications for undertaking work. Qualifications should include factors that have a reasonable business relationship to decisions to award contracts such as years of experience, capacity for completing work and price. Obviously, once we truly restrict the comparison to "similarly situated" businesses, we would expect that the percent of work obtained by qualified M/WBEs would approximate the percent of capacity of all qualified businesses owned by minorities and women. The problem with this comparison is that the availability of qualified M/WBEs may be affected by exactly the kinds of discrimination that we are trying to detect. Discrimination by state and local agencies, prime contractors, bonding companies, banks, unions, trade associations and other market participants — the sources of discrimination that have been pointed to in much previous research — makes it harder for minorities and women to start businesses and to acquire the necessary qualifications and experience once they have entered the market. This discrimination reduces the availability of qualified M/WBEs below what would exist in the absence of discrimination. A disparity analysis based on the current availability of qualified M/WBEs would obviously fail to detect these sources of discrimination.

Let us suppose, for our last scenario, that we restrict ourselves to those individuals who have started their own business. If we believe that, among these individuals, the ability to run a business would not, in the absence of discrimination, differ among racial groups and women, then the distribution of contract awards and

contract dollars among racial groups and women would follow the distribution of business ownership by racial group and women. If 5 percent of the businesses were owned by Asians, we would, under this assumption, expect that 5 percent of contracts and 5 percent of contract dollars would be awarded to Asian-owned companies; large deviations from these shares could be construed as evidence of discrimination.

Of course, minorities generally operate smaller businesses than nonminorities, in part because they have less of the social and financial capital and qualifications necessary to run larger businesses as a result of the societal discrimination and possibly for other reasons as well.⁹ It is impossible to ascribe all of the problems that limit the development of M/WBEs to current discrimination. Nonetheless, comparing the percent of businesses operated by minorities to the percent of contract dollars received by minorities is useful and possibly consistent with Croson. Such a comparison was the basis of a minority business program implemented by the State of Ohio and cited by Justice O'Connor in Croson. Justice O'Connor noted the Ohio program because, unlike the Richmond program, its estimate of availability was based on the minority percent of the business population as opposed to the minority percent of the general population.

For the purposes of establishing whether there is a disparity between the utilization of M/WBEs by SFRA and their availability, the minority percent of the

⁹ For data demonstrating that minorities generally operate smaller businesses than nonminorities, see U.S. Department of Commerce, Bureau of the Census, Characteristics of Business Owners, 1982 GPO: Washington, D.C., 1987, Table 1.

business population, unadjusted for detailed firm qualifications, has at least three advantages as a measure of M/WBE availability. First, as just mentioned, this measure was used by the State of Ohio in developing its program which was affirmed in Ohio Contractors Assn. v. Keip, a lower court decision that was cited, without disapproval, by Justice O'Connor. Second, as we shall discuss below, it is possible to estimate the minority percent of the business population from available data sources. Third, this measure is not as overinclusive as the minority percent of the general population (that is, it does not include minorities who have not expressed a proclivity to form a business) and it is not as underinclusive as the minority percent of the population of "qualified" businesses (that is, it does not exclude minority firms that, possibly because of discrimination, have not attained the same qualifications as majority firms).¹⁰

The availability of minority and nonminority firms to SFRA depends upon the geographic area from which firms are likely to bid on SFRA contracts. The next section examines this area.

B. The Geographic Market for SFRA Procurement

The geographic market for SFRA was established by identifying the locations of contractors and suppliers to the Agency over the period 1982 to 1991.

¹⁰ Nonetheless, it is still overinclusive to the extent that MBEs might not have the same qualifications as non-MBEs even in the absence of remediable discrimination, and it is underinclusive to the extent that it does not consider MBEs that would have existed but for remediable discrimination.

Using the data developed for the utilization estimates, the share of contracts accounted for by firms located in eleven counties that we considered the San Francisco Metropolitan Area were calculated by SIC code.¹¹ We also calculated the share of contracts which went to firms located elsewhere in the United States. We did not calculate shares for contracts in SIC codes where we had fewer than 10 observations.

Table 4.1 presents these shares for total contracts. As shown by this table (see line 14), firms in the San Francisco Metropolitan Area counties account for 80 percent or more of all prime and subcontracts issued or influenced by SFRA with one exception — subcontracts for building materials (SIC 52), for which San Francisco Metropolitan Area firms have accounted for 70 percent of contracts. Table 4.1 also illustrates that SFRA's market for virtually all goods and services extends well beyond San Francisco County. San Francisco County-based firms account for between 25 and 65 percent of total contracts. In addition, with the exception of subcontracts for Building Construction (SIC 15) and prime contracts for Business Services (SIC 73), San Francisco County-based firms account for no more than 70 percent of total contracts. This is an important characteristic, especially in view of the recent Croson decision.

Consistent with our utilization analysis, we have also examined the market for publicly and privately funded contracts separately. Table 4.2 presents market shares for privately funded contracts. Again, the San Francisco Metropolitan Area firms account for most of the contracts. For instance, in most industries examined, these

¹¹ These counties are San Francisco, Alameda, San Mateo, Santa Clara, Contra Costa, Marin, Solano, Sonoma, San Joaquin, Sacramento and Santa Cruz.

counties accounted for over 85 percent of the total overall prime and subcontracts. San Francisco-based firms accounted for between 16 and 58 percent of total privately funded contracts.

Table 4.3 presents the geographic market for publicly funded contracts. San Francisco Metropolitan Area firms account for a vast majority of the publicly funded SFRA contracts issued. In fact, in all but one industry examined, prime contractors for Engineering, Accounting, Research, Management and Related Services (SIC 87), the San Francisco Metropolitan Area counties accounted for over 90 percent of the total contracts. San Francisco-based firms accounted for between 36 and 71 percent of total publicly funded contracts. The counties included in the geographic markets are illustrated in Figure 4.1

In determining the availability of firms in the San Francisco Metropolitan Area, we need to take into account the frequency with which firms from a particular area are used on SFRA projects or procurements. That is, when we calculate the average availability for the San Francisco Metropolitan Area, we want to weight counties such as San Francisco from which a large percent of bids has arisen more heavily than counties such as Solano where few bids have arisen. These market shares are the basis for weighting the availability statistics.

C. Estimates of the Current Availability of Minority Firms

As we discussed in the first section of this chapter, a reasonable measure of M/WBE availability is the percent of all firms with at least one employee that are

minority- or woman-owned and operated. To calculate this percent, we need to have an estimate of the number of minority- and woman-owned firms and the number of all firms with at least one employee.

We determined the number of M/WBEs from the Census of Minority-Owned Businesses, a government survey that has been conducted in 1972, 1977, 1982 and 1987. In each of these years the Census Bureau has obtained estimates of the number of M/WBEs in various geographic areas and for various industries. To evaluate the usefulness of the Census data, it is important to understand how the Census identifies M/WBEs and how Census methods have changed between 1982 and 1987. The Census identified M/WBEs in 1982 and 1987 by identifying from IRS records all firms that

- (1) Filed a Schedule C with their IRS 1040 for the given tax year. These firms comprise all individual proprietorships or self-employed individuals that reported income to the IRS in that year.
- (2) Filed Form 1065 for the given tax year. These firms comprise all partnerships that reported income to the IRS in that year.
- (3) Filed a Form 1120S for the tax year. These firms comprise all Subchapter S corporations that reported income to the IRS in that year. A Subchapter S corporation is one that is treated as a partnership for tax purposes.

Each of these tax returns contains the social security number(s) of the individual(s) filing the return (this would be a single individual for Schedule C's, two or more individuals for partnerships; and one or more individuals for Subchapter S corporations). The Census uses these social security numbers to identify the race and

sex of the corresponding individuals from Social Security Administration records. Until recently, social security applications requested that individuals identify their race as White, African American or Other. Asians, Hispanics and Native Americans were identified from a combination of examining surnames (i.e., the Census has a list of surnames for each race/ethnic group and uses these surnames to classify individuals) and selective mail surveys (i.e., the Census surveys a random sample of all firms to inquire about race/ethnicity).

This process excludes individuals who own private corporations that are not organized as Subchapter S corporations since social security numbers are not requested by the IRS from individuals who file Form 1120 corporate tax returns. In 1982 and previous years, the Census attempted to identify M/WBE non-Subchapter S corporations from M/WBE directories and other sources. This process, however, was ad hoc and may not have succeeded in counting all M/WBEs. As a result, the Census decided to suspend any attempt to count M/WBEs that file Form 1120 corporate tax returns for the 1987 Census. Another difference between 1982 and 1987 is that the Census counted all firms that reported business receipts greater than zero in 1982, while only counting firms that reported business receipts of \$500 or more in 1987. As a result of these changes, the 1982 and 1987 Censuses are not strictly comparable since 1987 excludes (a) non-Subchapter S Corporations and (b) all firms with business receipts of less than \$500. The Census has reported 1982 national figures that exclude non-Subchapter S Corporations and firms with business receipts of

less than \$500 and are therefore comparable to the 1987 data. These differences have little effect on the number of firms counted by the Census since, in 1982, less than 2 percent of minority firms were 1120 Corporations or had business receipts of less than \$500.¹²

We have obtained unpublished data from the Census on the number of M/WBEs by county and by 2-digit SIC code industry for 1987. The most comparable data on the population of all firms is the County Business Patterns data which reports the number of establishments with paid employees. A potentially important distinction between the County Business Patterns data and the Census of Minority and Woman-Owned Business data is that County Business Patterns counts establishments while Census of Minority and Woman-Owned Businesses counts firms. An establishment is a unique physical location of a firm. Larger firms often have several physical locations or establishments where work is done. As a practical matter, this distinction is not important since the average number of establishments per firm is very small so that the total number of firms is only slightly smaller than the total number of

¹² There are also some minor problems comparing the 1972, 1977 and 1982 data. The 1972 and 1977 surveys of African American-owned enterprises and Asian/Native American-owned enterprises are comparable. The Spanish survey, however, was expanded in 1977 to include owners of Spanish European descent and to include additional service industries. As a result, the 1972 and 1977 Spanish report data are not comparable. The Bureau of the Census made changes to all surveys between 1977 and 1982. In 1977, if a proprietor filed more than one IRS Form 1040 Schedule C (one for each enterprise owned), the census combined the businesses and counted them as one firm. This practice was discontinued in 1982, and each firm was counted separately. In addition, the 1982 survey no longer classified owners according to an order of precedence (African American, Spanish, Other). Instead, a firm could be reported on more than one survey according to the race and ethnicity of the owner. A firm owned by an African American Hispanic, for example, was classified in 1977 (and earlier) as African American only. In 1982, however, the same firm is included in both the African American and Spanish reports. Similar procedures were adopted for partnerships and corporations.

establishments. The County Business Patterns data are available yearly and contain information for each county and each industry. To reasonably test for a disparity between utilization and availability we need to calculate availability figures for the years consistent with the utilization figures from Chapter 3. Since our utilization estimates cover the period 1982 to 1991, we need to estimate availability for these same years. County Business Patterns data are available for 1986 and 1988; thus, the latest year for which these data are available is 1988. In order to create a data set for 1990, therefore, we assume that the rate of growth in the number of firms from 1986 to 1988, which we know, is equal to the rate of growth in the number of firms from 1988 to 1990.¹³

We now need to estimate the number of M/WBEs in 1986, 1988 and 1990. The Census Bureau's data on M/WBEs are available only for 1982 and 1987; however, we can once again use growth rates to estimate the needed data. We calculate the annual average rate of growth for M/WBEs implied by the 1982 and 1987 figures and apply this growth rate to obtain 1986, 1988 and 1990 figures.¹⁴ Using the Census of Minority and Woman-Owned Businesses data and the County Business Patterns data, we have calculated the percent of all firms that are minority or woman-owned for each

¹³ We calculate these growth rates at the two-digit SIC code level.

¹⁴ In this case we apply growth rates calculated at the one-digit SIC code level, since we have been informed by the Census that the two-digit SIC code figures for 1982 are unreliable due to faulty classification at the two-digit level.

county in the San Francisco Metropolitan Area. The estimated percent of firms that are, for instance, African American-owned for each county is given by:

$$A_{ac} = \frac{\text{Number of African American-owned businesses with paid employees estimated from } \underline{\text{Census of Minority Businesses}}}{\text{Number of establishments with payroll from } \underline{\text{County Business Patterns}}}$$

where "A" denotes Availability, the subscript "a" denotes African Americans and the subscript "c" denotes the county.

As mentioned earlier, SFRA's bidders are not distributed evenly across the eleven San Francisco Metropolitan Area counties but rather centered in nearby counties such as Alameda and Contra Costa. To take this into account, we weight the availability in each county by the percent of San Francisco Metropolitan Area bidders (or awardees) on SFRA projects from each county.¹⁵ The percent of bidders in each San Francisco Metropolitan Area county is denoted by w_c .¹⁶ Then the estimated weighted-average percent of awardees across the eleven Counties is given by

$$A_a = w_1 A_{a1} + w_2 A_{a2} + \dots + w_{11} A_{a11}$$

where A_a is the weighted-average percent of firms owned by African Americans that are available for SFRA projects.

¹⁵ This approach is consistent with procedures commonly used in Title VII cases to estimate the availability of workers in the geographic market. For further discussion, see Walter Connolly, Jr., David W. Peterson and Michael J. Connolly, Use of Statistics in Equal Employment Opportunity Litigation (New York: Law Journal Seminars Press, 1989).

¹⁶ Recall that we will have two separate estimates of the percent of bidders from each county, one based on the bidders lists we collected and the other upon the vendors from the computerized data base.

We calculated the availability figures in exactly the same way for women. However, an adjustment was required for the Hispanic and Asian figures. The methods used by the Census to identify Asian and Hispanic businesses are less precise than those used for African Americans and women for the reasons discussed above. The Census surveyed 73,000 firms to determine their race and ethnicity. As a result of this survey, they estimated that they had missed 16 percent of the Hispanic firms and 16 percent of the Asian firms. We therefore increased our availability percentages by 16 percent to account for this undercount.¹⁷

We have calculated the percent of firms that are operated by each race group and women within SFRA's geographic market for each 2-digit SIC code industry for 1986, 1988 and 1990 using the weighted average approach detailed above. Table 4.4 shows the M/WBE percent of firms using weights based on the SFRA transactions data. The table shows a marked increase in the proportion of M/WBE firms from 1986 to 1990, with particularly rapid growth in woman-owned firms and in the service sector overall. For example, we see that in SIC code 15, building construction, the percentage of African American firms used increased from 1.70 to 2.90, Hispanic firms from 3.62 to 4.43, and woman-owned firms from 4.43 to 8.20. It is also clear from Table 4.4 that M/WBEs have the strongest presence in the service industries and in agricultural services (i.e., landscaping) — 43.21 percent of the total firms in SIC code 73 are WBEs in 1990 and over 29 percent are MBEs.

¹⁷ See Bureau of the Census, Survey of Minority-Owned Business Enterprises: Hispanics, Appendix D and Survey of Minority-Owned Business Enterprises: Asians, Appendix D.

It will prove helpful to summarize the availability figures at a more aggregate level of detail than the 2-digit SIC code level reported in Table 4.4. We have calculated availability figures for the three major procurement areas of construction, professional and personal services and commodity purchasing. These figures are obtained by taking a weighted average of the 2-digit SIC code availability estimates, where the weights correspond to the fraction of SFRA dollars or SFRA contracts that have been spent for each 2-digit industry.¹⁸ Table 4.5 reports the results for 1986, 1988 and 1990. Consistent with our utilization calculations, we also report separate results for dollar and contract-weighted availability.

In 1986, we estimate that 15.80 percent of the available construction firms in SFRA's geographic market for procurements, weighted by contracts, were minority-owned and 4.50 percent were woman-owned. For professional services, 11.07 percent of the firms are MBEs and 15.14 percent are WBEs. For commodities, 14.05 percent of the firms are MBEs and 4.59 percent are WBEs.

We project that by 1990, 32.2 percent of the available construction firms in SFRA's geographic market for procurements, weighted by contracts, were minority-owned and 10.23 percent were woman-owned. For professional services, 20.17 percent of the firms were MBEs and 37.01 percent were WBEs. For commodities, 30.56 percent of the firms are MBEs and 10.84 percent are WBEs.

¹⁸ We have also calculated these figures by taking a project-weighted average, where the weights correspond to the number of projects that have been awarded to each 2-digit industry. We discuss these weighting schemes and report availability figures based on dollar weights and project weights in the next chapter.

D. Estimates of the Potential Availability of Minority Firms

The availability approaches we described above can also serve as the basis for the development of goals with two modifications. The first modification is that the goals should be tied to availability during the period of time to which the goals are meant to apply. For example, if SFRA were to implement a goal program for 1991 to 1996 to ameliorate discrimination, the goals should measure availability for this period of time. One method for updating the figures would be the relative growth in M/WBEs between 1982 and 1988. The availability of M/WBEs increased dramatically during this time period, and if this growth were to continue, any goals based on 1988 availability figures would be misleading. As shown above, applying the growth rates observed between 1982 and 1988 notably increases M/WBE availability. The second modification that may be desirable is to pick goals that exceed actual availability by some margin in order to stimulate the formation of M/WBEs and therefore move actual availability closer to the level that would have existed but for discrimination. There is no scientific formula for determining the extent to which the goals should exceed actual availability. However, measures of potential availability — such as the percent of the relevant workforce (e.g., skilled construction workers) that is minority — can be viewed as providing a long-term goal towards which SFRA may wish to strive.

According to 1980 Census figures, 24.8 percent of workers in the construction industry in the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical

Area (CMSA), which includes several counties in SFRA's geographic market,¹⁹ were minorities; the comparable figure is 23.8 percent for engineering and architectural services. If we examine these figures for the state of California, we find comparable numbers — for instance, 24 percent of construction workers in the state are minorities. Women represent only 11.6 percent of construction industry workers in the CMSA, but 16.8 percent of engineering and architectural industry workers; the numbers for the state are comparable except for architects where the state percentage is much lower. We have also examined more recent data from reports filed with the Equal Employment Opportunity Commission (EEOC) by establishments with more than 100 employees (or 50 employees if the establishment has a federal contract for \$50,000 or more). According to these data for the state of California, 28.5 percent of workers at these establishments are minorities and 23.7 percent of construction craft workers (i.e., skilled tradespersons) were minorities. Similar data for the CMSA area show 23.8 percent of construction workers are minorities as are 20.9 percent of craft workers. Since these establishments are subject to EEOC reporting requirements, we would expect that the minority percentages are lower at nonreporting establishments.

¹⁹ The CMSA counties include: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, Sonoma.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED CONTRACTS

Line No.	County	SIC-07 (1)	SIC-15 (2)	SIC-16 (3)	SIC-17 (4)	SIC-34 (5)	SIC-42 (6)
1	SAN FRANCISCO	33.33 %	56.62 %	26.15 %	33.97 %	33.33 %	26.98 %
2	ALAMEDA	16.00	17.65	6.15	22.46	20.00	15.87
3	SAN MATEO	8.00	14.71	41.54	18.30	0.00	17.46
4	SANTA CLARA	18.67	0.74	12.31	7.10	6.67	0.00
5	CONTRA COSTA	14.67	2.94	10.77	6.79	0.00	30.16
6	MARIN	6.67	1.47	0.00	2.10	0.00	4.76
7	SOLANO	0.00	0.00	0.00	1.70	20.00	0.00
8	SONOMA	0.00	1.47	0.00	1.56	0.00	0.00
9	SAN JOAQUIN	0.00	0.00	0.00	0.67	6.67	3.17
10	SACRAMENTO	0.00	0.00	0.00	0.40	0.00	0.00
11	SANTA CRUZ	0.00	0.00	0.00	0.31	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	2.66	4.40	1.54	3.52	6.66	1.60
13	OTHER STATES	0.00	0.00	1.54	1.12	6.67	0.00
14	S. F. Metropolitan Area Total (Lines 1 through 11)	97.34 %	95.60 %	96.92 %	95.36 %	86.67 %	98.40 %
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	98.46 %	98.88 %	93.33 %	100.00 %
16	Number of Observations	75	136	65	2,240	15	63

Notes:
 SIC-07: Landscaping
 SIC-15: Building Construction--General Contractors and Operative Builders
 SIC-16: Heavy Construction Other Than Building Construction -- Contractors
 SIC-17: Construction -- Special Trade Contractors
 SIC-34: Fabricated Metal Products, Except Machinery and Transportation Equipment
 SIC-42: Motor Freight Transportation and Warehousing

Totals may not sum, due to rounding.

**SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED CONTRACTS**

Line No.	County	SIC-50	SIC-52	SIC-46	SIC-73	SIC-81
		(7)	(8)	(9)	(10)	(11)
1	SAN FRANCISCO	25.28 %	55.00 %	35.29 %	53.33 %	50.00 %
2	ALAMEDA	30.48	10.00	35.29	21.67	25.00
3	SAN MATEO	17.10	5.00	5.88	3.33	13.38
4	SANTA CLARA	7.06	0.00	11.76	6.67	0.00
5	CONTRA COSTA	5.58	0.00	5.88	5.00	0.00
6	MARIN	1.49	0.00	0.00	1.67	0.00
7	SOLANO	0.37	0.00	0.00	0.00	6.25
8	SONOMA	1.12	0.00	0.00	0.00	0.00
9	SAN JOAQUIN	0.37	0.00	0.00	0.00	0.00
10	SACRAMENTO	1.86	0.00	0.00	0.00	0.00
11	SANTA CRUZ	1.86	0.00	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	4.08	30.00	0.00	1.66	0.00
13	OTHER STATES	3.35	0.00	5.88	6.67	6.25
14	S. F. Metropolitan Area Total (Lines 1 through 11)	92.57 %	70.00 %	94.10 %	91.67 %	93.75 %
15	California Total (Line 12 + Line 14)	96.65 %	100.00 %	94.10 %	93.33 %	93.75 %
16	Number of Observations	269	20	17	60	16
	Notes:	SIC-50: Wholesale Trade--Durable Goods SIC-52: Building Materials, Hardware, Garden Supply, and Mobile Home Dealers SIC-65: Real Estate SIC-73: Business Services SIC-81: Legal Services SIC-87: Engineering, Accounting, Research, Management and Related Services				

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Table 4.1
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All other SIC designations for which there were less than 10 observations have been excluded.
Totals may not sum, due to rounding.

Source: NERA geographic market analysis for San Francisco Redevelopment Agency.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED PRIME CONTRACTS

Line No.	County	SIC-15	SIC-17	SIC-65
		(1)	(2)	(3)
1	SAN FRANCISCO	54.40 %	34.86 %	35.29 %
2	ALAMEDA	18.40	12.84	35.29
3	SAN MATEO	16.00	9.17	5.88
4	SANTA CLARA	0.80	8.26	11.76
5	CONTRA COSTA	3.20	9.17	5.88
6	MARIN	1.60	0.92	0.00
7	SOLANO	0.00	2.75	0.00
8	SONOMA	0.30	0.00	0.00
9	SAN JOAQUIN	0.00	0.92	0.00
10	SACRAMENTO	0.00	1.83	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	4.80	10.11	0.00
13	OTHER STATES	0.00	9.17	5.88
14	S. F. Metropolitan Area Total (Lines 1 through 11)	95.20 %	80.72 %	94.10 %
15	California Total (Line 12 + Line 14)	100.00 %	90.83 %	94.00 %
16	Number of Observations	125	109	17

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Notes: SIC-15: Building Construction--General Contractors and Operative Builders
 SIC-17: Construction - Special Trade Contractors
 SIC-65: Real Estate

Totals may not sum, due to rounding

**SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED PRIME CONTRACTS**

Line No.	County	SIC-73 (4)	SIC-81 (5)	SIC-87 (6)
1	SAN FRANCISCO	70.00 %	50.00 %	67.86 %
2	ALAMEDA	25.00	25.00	11.90
3	SAN MATEO	0.00	0.00	2.38
4	SANTA CLARA	0.00	0.00	0.00
5	CONTRA COSTA	0.00	0.00	0.00
6	MARIN	5.00	6.25	2.38
7	SOLANO	0.00	0.00	0.00
8	SONOMA	0.00	0.00	0.00
9	SAN JOAQUIN	0.00	0.00	0.00
10	SACRAMENTO	0.00	12.50	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00	11.91
13	OTHER STATES	0.00	6.25	3.57
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	93.75 %	84.52 %
15	California Total (Line 12 + Line 14)	100.00 %	93.75 %	96.43 %
16	Number of Observations	20	16	84

Notes:

SIC-73:
Business Services
Legal Services
SIC-81:
Engineering, Accounting, Research, Management and Related Services
SIC-87:

All other SIC designations for which there were less than 10 observations have been excluded.
Totals may not sum, due to rounding.

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SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED SUBCONTRACTS

Line No.	County	<u>SIC-07</u>		<u>SIC-15</u>		<u>SIC-16</u>		<u>SIC-17</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	SAN FRANCISCO	34.92 %	81.82 %	24.49 %	34.59 %	30.00 %	30.00 %		
2	ALAMEDA	19.05	9.09	8.16	23.26				
3	SAN MATEO	9.52	0.00	42.86	19.10	0.00			
4	SANTA CLARA	14.29	0.00	14.29	6.81	10.00			
5	CONTRA COSTA	12.70	0.00	10.20	6.25	0.00			
6	MARIN	6.35	0.00	0.00	2.18	0.00			
7	SOLANO	0.00	0.00	0.00	1.57	20.00			
8	SONOMA	0.00	9.09	0.00	1.42	0.00			
9	SAN JOAQUIN	0.00	0.00	0.00	0.61	10.00			
10	SACRAMENTO	0.00	0.00	0.00	0.30	0.00			
11	SANTA CRUZ	0.00	0.00	0.00	0.36	0.00			
12	CALIFORNIA (Excluding Lines 1 through 11)	3.17	0.00	0.00	2.84	0.00			
13	OTHER STATES	0.00	0.00	0.00	0.71	0.00			
14	S. F. Metropolitan Area Total (Lines 1 through 11)	96.83 %	100.00 %	100.00 %	96.45 %	100.00 %			
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	100.00 %	99.29 %	100.00 %			
16	Number of Observations	63	11	49	1,969	10			

Notes:

SIC-07: Landscaping
 SIC-15: Building Construction--General Contractors and Operative Builders
 SIC-16: Heavy Construction Other Than Building Construction -- Contractors
 SIC-17: Construction -- Special Trade Contractors
 SIC-34: Fabricated Metal Products, Except Machinery and Transportation Equipment

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY AND PUBLICLY FUNDED SUBCONTRACTS

Line No.	County	SIC-42	SIC-50	SIC-52	SIC-73	SIC-87
		(6)	(7)	(8)	(9)	(10)
1	SAN FRANCISCO	34.09 %	24.90 %	55.00 %	46.15 %	61.40 %
2	ALAMEDA	11.36	29.80	10.00	20.51	15.79
3	SAN MATEO	22.73	17.14	5.00	5.13	7.02
4	SANTA CLARA	0.00	7.76	0.00	10.26	5.26
5	CONTRA COSTA	25.00	5.71	0.00	7.69	3.51
6	MARIN	2.27	1.63	0.00	0.00	1.75
7	SOLANO	0.00	0.41	0.00	0.00	0.00
8	SONOMA	0.00	0.41	0.00	0.00	0.00
9	SAN JOAQUIN	4.55	0.41	0.00	0.00	1.75
10	SACRAMENTO	0.00	2.04	0.00	0.00	0.00
11	SANTA CRUZ	0.00	2.04	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	4.08	30.00	0.00	0.00
13	OTHER STATES	0.00	3.67	0.00	10.26	3.51
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	92.25 %	70.00 %	89.74 %	96.48 %
15	California Total (Line 12 + Line 14)	100.00 %	96.33 %	100.00 %	89.74 %	96.48 %
16	Number of Observations	44	245	20	39	57

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Notes:

SIC-42: Motor Freight Transportation and Warehousing

SIC-50: Wholesale Trade--Durable Goods

SIC-52: Building Materials, Hardware, Garden Supply, and Mobile Home Dealers

SIC-73: Business Services

SIC-87: Engineering, Accounting, Research, Management and Related Services

All other SIC designations for which there were less than 10 observations have been excluded.
Totals may not sum, due to rounding.

Source:

NERA, geographic market analysis for San Francisco Redevelopment Agency

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY FUNDED CONTRACTS

Line No.	County	SIC-07	SIC-15	SIC-16	SIC-17	SIC-34
		(1)	(2)	(3)	(4)	(5)
1	SAN FRANCISCO	35.09 %	58.20 %	17.50 %	33.80 %	
2	ALAMEDA	17.54	18.03	10.00	23.07	14.29
3	SAN MATEO	8.77	16.39	45.00	18.48	0.00
4	SANTA CLARA	19.30	0.00	15.00	7.04	7.14
5	CONTRA COSTA	8.77	0.00	10.00	6.89	0.00
6	MARIN	7.02	1.64	0.00	2.06	0.00
7	SOLANO	0.00	0.00	0.00	1.58	21.43
8	SONOMA	0.00	1.64	0.00	1.39	0.00
9	SAN JOAQUIN	0.00	0.00	0.00	0.57	7.14
10	SACRAMENTO	0.00	0.00	0.00	0.34	0.00
11	SANTA CRUZ	0.00	0.00	0.00	0.34	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	3.51	4.10	2.50	3.48	
13	OTHER STATES	0.00	0.00	0.00	0.96	
14	S. F. Metropolitan Area Total (Lines 1 through 11)	96.49 %	95.90 %	97.50 %	95.56 %	85.71 %
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	100.00 %	99.04 %	92.85 %
16	Number of Observations	57	122	40	2,089	14

Notes:

SIC-07: Landscaping
 SIC-15: Building Construction--General Contractors and Operative Builders
 SIC-16: Heavy Construction Other Than Building Construction -- Contractors
 SIC-17: Construction -- Special Trade Contractors
 SIC-34: Fabricated Metal Products, Except Machinery and Transportation Equipment

Totals may not sum, due to rounding.

**SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS DEFINED BY TWO-DIGIT SIC CODE
PRIVATELY FUNDED CONTRACTS**

Line No.	County	SIC-42			SIC-50			SIC-52			SIC-73		
		(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
1	SAN FRANCISCO	16.28 %	24.14 %	55.00 %	42.42 %	47.06 %	21.21	6.06	11.76	11.76	5.88	17.65	
2	ALAMEDA	16.28	31.42	10.00	17.62	5.00	7.28	0.00	5.36	1.53	0.00	0.00	47.06 %
3	SAN MATEO	18.60	17.62	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
4	SANTA CLARA												
5	CONTRA COSTA												
6	MARIN	39.53	5.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
7	SOLANO	6.98	1.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
8	SONOMA	0.00	0.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
9	SAN JOAQUIN	0.00	0.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
10	SACRAMENTO	0.00	0.38	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
11	SANTA CRUZ	0.00	1.92	0.00	1.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
12	CALIFORNIA (Excluding Lines 1 through 11)	2.33	3.83	30.00	3.45	0.00	3.03	0.00	12.12	0.00	0.00	0.00	47.06 %
13	OTHER STATES	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.06 %
14	S. F. Metropolitan Area Total (Lines 1 through 11)	97.67 %	92.72 %	70.00 %	100.00 %	96.55 %	100.00 %	100.00 %	84.84 %	87.87 %	85.29 %	91.17 %	104.
15	California Total (Line 12 + Line 14)												
16	Number of Observations		43	261	20			20	33	34			

Notes: SIC-42: Motor Freight Transportation and Warehousing
 SIC-50: Wholesale Trade--Durable Goods
 SIC-52: Building Materials, Hardware, Garden Supply, and Mobile Home Dealers
 SIC-73: Business Services
 SIC-87: Engineering, Accounting, Research, Management and Related Services

All other SIC designations for which there were less than 10 observations have been excluded.
 Totals may not sum, due to rounding.

Source: NERA geographic market analysis for San Francisco Redevelopment Agency.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY FUNDED PRIME CONTRACTS

Line No.	County	SIC-87		
		(1)	(2)	(3)
1	SAN FRANCISCO	55.86 %	33.33 %	50.00 %
2	ALAMEDA	18.92	13.54	21.43
3	SAN MATEO	18.02	10.42	7.14
4	SANTA CLARA	0.00	8.33	0.00
5	CONTRA COSTA	0.00	8.33	0.00
6	MARIN	1.80	1.04	0.00
7	SOLANO	0.00	2.08	0.00
8	SONOMA	0.90	0.00	0.00
9	SAN JOAQUIN	0.00	1.04	0.00
10	SACRAMENTO	0.00	0.00	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	4.50	11.46	14.29
13	OTHER STATES	0.00	10.42	7.14
14	S. F. Metropolitan Area Total (Lines 1 through 11)	95.50 %	78.11 %	78.57 %
15	California Total (Line 12 + Line 14)	100.00 %	89.57 %	92.86 %
16	Number of Observations	111	96	14

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Notes:
 SIC-15: Building Construction-General Contractors and Operative Builders
 SIC-17: Construction -- Special Trade Contractors
 SIC-87: Engineering, Accounting, Research, Management, and Related Services

All other SIC designations for which there were less than 10 observations have been excluded.
 Totals may not sum, due to rounding.

Source: NERA geographic market analysis for San Francisco Redevelopment Agency.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
PRIVATELY FUNDED SUBCONTRACTS

Line No.	County	<u>SIC-07</u>		<u>SIC-15</u>		<u>SIC-16</u>		<u>SIC-17</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	SAN FRANCISCO	34.69 %	81.82 %	21.88 %	12.50	34.53 %	22.22		
2	ALAMEDA	20.41	9.09	0.00	43.75	23.72	11.11		
3	SAN MATEO	10.20	0.00	0.00	15.63	19.06	29.63		
4	SANTA CLARA	16.33	0.00	0.00	6.63	6.80	0.00		
5	CONTRA COSTA	8.16	0.00	0.00	6.25	6.37	33.33		
6	MARIN	6.12	0.00	0.00	0.00	2.19	3.70		
7	SOLANO	0.00	0.00	0.00	0.00	0.00	0.00		
8	SONOMA	0.00	0.00	0.00	0.00	0.00	0.00		
9	SAN JOAQUIN	0.00	0.00	0.00	0.00	0.00	0.00		
10	SACRAMENTO	0.00	0.00	0.00	0.00	0.00	0.00		
11	SANTA CRUZ	0.00	0.00	0.00	0.00	0.00	0.00		
12	CALIFORNIA (Excluding Lines 1 through 11)	4.09	0.00	0.00	0.00	0.00	0.00		
13	OTHER STATES	0.00	0.00	0.00	0.00	0.00	0.00		
14	S. F. Metropolitan Area Total (Lines 1 through 11)	95.91 %	100.00 %	100.00 %	100.00 %	96.62 %	0.00		
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	100.00 %	100.00 %	99.46 %	0.00		
16	Number of Observations	49	11	32	32	1,868	100.00	100.00	100.00

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Notes:

SIC-07:

Landscape

Building Construction--General Contractors and Operative Builders

Heavy Construction Other Than Building Construction -- Contractors

Construction -- Special Trade Contractors

Fabricated Metal Products, Except Machinery and Transportation Equipment

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SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PRIVATELY FUNDED SUBCONTRACTS

Line No.	County	SIC-50 (6)	SIC-52 (7)	SIC-73 (8)	SIC-87 (9)
1	SAN FRANCISCO	24.07 %	55.00 %	46.43 %	42.11 %
2	ALAMEDA	30.29	10.00	17.86	15.79
3	SAN MATEO	17.43	5.00	7.14	15.79
4	SANTA CLARA	7.88	0.00	14.29	10.53
5	CONTRA COSTA	5.81	0.00	0.00	0.00
6	MARIN	1.66	0.00	0.00	0.00
7	SOLANO	0.41	0.00	0.00	0.00
8	SONOMA	0.41	0.00	0.00	0.00
9	SAN JOAQUIN	0.41	0.00	0.00	0.00
10	SACRAMENTO	2.07	0.00	0.00	0.00
11	SANTA CRUZ	2.07	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	3.73	30.00	0.00	0.00
13	OTHER STATES	3.73	0.00	14.29	10.53
14	S. F. Metropolitan Area Total (Lines 1 through 11)	92.51 %	70.00 %	85.72 %	89.48 %
15	California Total (Line 12 + Line 14)	96.47 %	100.00 %	85.72 %	89.48 %
16	Number of Observations	241	20	28	19

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Notes:

SIC-42: Motor Freight Transportation and Warehousing

SIC-50: Wholesale Trade - Durable Goods

SIC-52: Building Materials, Hardware, Garden Supply, and Mobile Home Dealers

SIC-73: Business Services

SIC-87: Engineering, Accounting, Research, Management and Related Services

All other SIC designations for which there were less than 10 observations have been excluded.
 Totals may not sum, due to rounding.

Source:

NERA geographic market analysis for San Francisco Redevelopment Agency.

**SAN FRANCISCO REDEVELOPMENT AGENCY
GEOGRAPHIC MARKETS DEFINED BY TWO-DIGIT SIC CODE
PUBLICLY FUNDED CONTRACTS**

Line No.	County	<u>SIC-07</u>		<u>SIC-15</u>		<u>SIC-17</u>		<u>SIC-42</u>	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	SAN FRANCISCO	27.78 %	42.86 %	40.00 %	36.42 %	13.91	50.00 %		
2	ALAMEDA	11.11	14.29	0.00					
3	SAN MATEO	5.56	0.00	36.00					
4	SANTA CLARA	16.67	7.14	8.00	15.89				
5	CONTRA COSTA	33.33	28.57	12.00	7.95				
6	MARIN	5.56	0.00	0.00	5.30				
7	SOLANO	0.00	0.00	0.00	2.65				
8	SONOMA	0.00	0.00	0.00	3.31				
9	SAN JOAQUIN	0.00	0.00	0.00	3.97				
10	SACRAMENTO	0.00	0.00	0.00	1.99				
11	SANTA CRUZ	0.00	0.00	0.00	1.32				
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00	0.00	0.00				
13	OTHER STATES	0.00	7.14	0.00	0.00				
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	92.86 %	96.00 %	92.71 %				-108-
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	96.00 %	96.69 %				
16	Number of Observations	18	14	25	151				

Notes:

SIC-07: Landscaping

SIC-15: Building Construction - General Contractors and Operative Builders

SIC-16: Heavy Construction Other Than Building Construction .. Contractors

SIC-17: Construction -- Special Trade Contractors

SIC-42: Motor Freight Transportation and Warehousing

Totals may not sum, due to rounding.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PUBLICLY FUNDED CONTRACTS

Line No.	County	SIC-65 (6)	SIC-73 (7)	SIC-81 (8)	SIC-87 (9)
1	SAN FRANCISCO	37.50 %	66.67 %	50.00 %	71.30 %
2	ALAMEDA	37.50	22.22	25.00	12.04
3	SAN MATEO	0.00	0.00	0.00	1.85
4	SANTA CLARA	12.50	0.00	0.00	0.93
5	CONTRA COSTA	6.25	11.11	6.25	1.85
6	MARIN	0.00	0.00	0.00	2.78
7	SOLANO	0.00	0.00	0.00	0.00
8	SONOMA	0.00	0.00	0.00	0.00
9	SAN JOAQUIN	0.00	0.00	0.00	0.00
10	SACRAMENTO	0.00	0.00	12.50	0.00
11	SANTA CRUZ	0.00	0.00	0.00	0.00
e	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00	0.00	7.41
r	OTHER STATES	6.25	0.00	6.25	1.85
a					
14	S. F. Metropolitan Area Total (Lines 1 through 11)	93.75 %	100.00 %	93.75 %	90.75 %
15	California Total (Line 12 + Line 14)	93.75 %	100.00 %	93.75 %	98.16 %
16	Number of Observations	16	27	16	108

Notes:
 SIC-65: Real Estate
 Business Services
 SIC-73: Legal Services
 SIC-81: Engineering, Accounting, Research, Management and Related Services
 SIC-87:

All other SIC designations for which there were less than 10 observations have been excluded.
 Totals may not sum, due to rounding.

Source: NIERA geographic market analysis for San Francisco Redevelopment Agency.

**SAN FRANCISCO REDEVELOPMENT AGENCY
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS BY TWO-DIGIT SIC CODE**
PUBLICLY FUNDED PRIME CONTRACTS

Line No.	County	SIC-15 (1)	SIC-17 (2)	SIC-65 (3)
1	SAN FRANCISCO	42.86 %	46.15 %	
2	ALAMEDA	14.29	7.69	37.50 %
3	SAN MATEO	0.00	0.00	37.50
4	SANTA CLARA	7.14	0.00	0.00
5	CONTRA COSTA	28.57	7.69	12.50
6	MARIN	0.00	15.38	0.25
7	SOLANO	0.00	0.00	0.00
8	SONOMA	0.00	0.00	0.00
9	SAN JOAQUIN	0.00	7.69	0.00
10	SACRAMENTO	0.00	0.00	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11) OTHER STATES	0.00	0.00	0.00
13		7.14	0.00	0.00
14	S. F. Metropolitan Area Total (Lines 1 through 11)		0.00	0.00
15	California Total (Line 12 + Line 14)	92.86 % 100.00 %	100.00 % 100.00 %	93.75 % 93.75 %
16	Number of Observations	14	13	16

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Table 4.3
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Notes:
 SIC-15: Building Construction- General Contractors and Operative Builders
 SIC-17: Construction - Special Trade Contractors
 SIC-65: Real Estate

Totals may not sum, due to rounding.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PUBLICLY FUNDED PRIME CONTRACTS

<u>Line No.</u>	<u>County</u>	<u>SIC-73</u> (4)	<u>SIC-81</u> (5)	<u>SIC-87</u> (6)
1	SAN FRANCISCO	81.25 %	50.00 %	71.43 %
2	ALAMEDA	18.75	25.00	10.00
3	SAN MATEO	0.00	0.00	1.43
4	SANTA CLARA	0.00	0.00	0.00
5	CONTRA COSTA	0.00	0.00	0.00
6	MARIN	0.00	6.25	2.86
7	SOLANO	0.00	0.00	0.00
8	SONOMA	0.00	0.00	0.00
9	SAN JOAQUIN	0.00	0.00	0.00
10	SACRAMENTO	0.00	12.50	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00	11.43
13	OTHER STATES	0.00	6.25	2.86
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	93.75 %	85.72 %
15	California Total (Line 12 + Line 14)	100.00 %	93.75 %	97.15 %
16	Number of Observations	16	16	70

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Table 4.3
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Notes:
 SIC-73: Business Services
 SIC-81: Legal Services
 SIC-87: Engineering, Accounting, Research, Management and Related Services

All other SIC designations for which there were less than 10 observations have been excluded.
 Totals may not sum, due to rounding.

Source: NERA geographic market analysis for San Francisco Redevelopment Agency

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PUBLICLY FUNDED SUBCONTRACTS

<u>Line No.</u>	<u>County</u>	<u>SIC-07</u> <u>(1)</u>	<u>SIC-17</u> <u>(2)</u>	<u>SIC-16</u> <u>(2)</u>	<u>SIC-17</u> <u>(3)</u>
1	SAN FRANCISCO	35.71 %	29.41 %		35.64 %
2	ALAMEDA	14.29	0.00		14.85
3	SAN MATEO	7.14	41.18		19.80
4	SANTA CLARA	7.14			
5	CONTRA COSTA				
6	MARIN	28.57	11.76		6.93
7	SOLANO	7.14	17.65		3.96
8	SONOMA	0.00	0.00		1.98
9	SAN JOAQUIN	0.00	0.00		2.97
10	SACRAMENTO	0.00	0.00		3.96
11	SANTA CRUZ	0.00	0.00		2.97
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00		0.00
13	OTHER STATES	0.00	0.00		0.00
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	100.00 %		2.98
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %		3.96
16	Number of Observations		14	17	101

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Table 4.3
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Notes:
 SIC-07: Building Construction - General Contractors and Operative Builders
 SIC-16: Heavy Construction Other Than Building Construction -- Contractors
 SIC-17: Construction -- Special Trade Contractors

Totals may not sum, due to rounding.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKETS BY TWO-DIGIT SIC CODE
GEOGRAPHIC MARKETS DEFINED BY PERCENT OF PROCUREMENTS OR CONTRACTS
PUBLICLY FUNDED SUBCONTRACTS

Line No.	County	SIC-42 (4)	SIC-73 (5)	SIC-87 (6)
1	SAN FRANCISCO	52.94 %	45.45 %	71.05 %
2	ALAMEDA	11.76	27.27	15.79
3	SAN MATEO	11.76	0.00	2.63
4	SANTA CLARA	0.00	0.00	2.63
5	CONTRA COSTA	11.76	27.27	5.26
6	MARIN	0.00	0.00	2.63
7	SOLANO	0.00	0.00	0.00
8	SONOMA	0.00	0.00	0.00
9	SAN JOAQUIN	11.76	0.00	0.00
10	SACRAMENTO	0.00	0.00	0.00
11	SANTA CRUZ	0.00	0.00	0.00
12	CALIFORNIA (Excluding Lines 1 through 11)	0.00	0.00	0.00
13	OTHER STATES	0.00	0.00	0.00
14	S. F. Metropolitan Area Total (Lines 1 through 11)	100.00 %	100.00 %	100.00 %
15	California Total (Line 12 + Line 14)	100.00 %	100.00 %	100.00 %
16	Number of Observations	17	11	38

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Notes:

SIC-42:

Motor Freight Transportation and Warehousing
Business Services

SIC-73:
SIC-87:

All other SIC designations for which there were less than 10 observations have been excluded.
Totals may not sum, due to rounding.

Table 4.3
Page 6 of 6

Source: NERA geographic market analysis for San Francisco Redevelopment Agency.

**SAN FRANCISCO REDEVELOPMENT AGENCY AVAILABILITY
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
BASED ON GEOGRAPHIC MARKET FOR AWARD OF CONTRACTS
FOR AFRICAN AMERICAN-OWNED BUSINESSES
1986, 1988, 1990**

<u>Year</u>	<u>SIC-07</u> (1)	<u>SIC-15</u> (2)	<u>SIC-16</u> (3)	<u>SIC-17</u> (4)	<u>SIC-34</u> (5)	<u>SIC-42</u> (6)	<u>SIC-50</u> (7)	<u>SIC-52</u> (8)	<u>SIC-65</u> (9)	<u>SIC-73</u> (10)	<u>SIC-81</u> (11)	<u>SIC-87,89</u> (12)
1986	1.56 %	1.70 %	0.77 %	2.36 %	1.05 %	4.26 %	0.20 %	0.18 %	0.09 %	3.07 %	1.40 %	0.88 %
1988	2.10	2.22	1.25	3.37	1.38	5.52	0.26	0.21	0.13	4.36	1.72	0.72
1990	2.83	2.90	2.07	4.81	1.84	7.15	0.35	0.24	0.19	6.21	2.12	0.59

SIC-07: Landscape Services

SIC-15: Building Construction--General Contractors and Operative Builders

SIC-16: Heavy Construction Other Than Building Construction--Contractors

SIC-17: Special Trade Contractors

SIC-34: Fabricated Metals Other Than Machinery and Transportation Equipment

SIC-42: Motor Freight Transportation and Warehousing

SIC-50: Wholesale Trade--Durable Goods

SIC-65: Real Estate

SIC-73: Business Services

SIC-81: Legal Services

SIC-87,89: Engineering, Accounting, Research, Management and Related Services(SIC-87) and
Miscellaneous Services(SIC-89)

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Table 4.4
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¹ SIC codes 87 and 89 were combined by the Bureau of the Census in its 1987 Census of Minority and Woman-Owned Businesses.

Source: 1987 Census of Minority and Woman-Owned Businesses, U.S. Bureau of the Census,
County Business Patterns, 1986, 1988, U.S. Bureau of the Census.

**SAN FRANCISCO REDEVELOPMENT AGENCY AVAILABILITY
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
BASED ON GEOGRAPHIC MARKET FOR AWARDEE CONTRACTS
FOR ASIAN-OWNED BUSINESSES**
1986, 1988, 1990

Year	SIC-07	SIC-15	SIC-16	SIC-17	SIC-34	SIC-42	SIC-50	SIC-52	SIC-65	SIC-73	SIC-81	SIC-87, ¹ 89
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(11)
1986	8.97 %	14.30 %	2.07 %	7.20 %	0.52 %	5.02 %	2.25 %	4.69 %	4.29 %	7.08 %	2.84 %	10.32 %
1988	14.25	20.15	3.39	11.49	0.80	6.84	3.55	6.04	5.84	11.07	3.70	8.83
1990	22.65	28.39	5.55	18.37	1.26	9.35	5.61	7.79	7.94	17.35	4.83	7.57

SIC-07: Landscape Services

SIC-15: Building Construction--General Contractors and Operative Builders

SIC-16: Heavy Construction Other Than Building Construction--Contractors

SIC-17: Special Trade Contractors

SIC-34: Fabricated Metals Other Than Machinery and Transportation Equipment

SIC-42: Motor Freight Transportation and Warehousing

SIC-50: Wholesale Trade--Durable Goods

SIC-65: Real Estate

SIC-73: Business Services

SIC-81: Legal Services

SIC-87,89: Engineering, Accounting, Research, Management and Related Services(SIC-87) and
Miscellaneous Services(SIC-89)

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¹ SIC codes 87 and 89 were combined by the Bureau of the Census in its 1987 Census of Minority and Woman-Owned Businesses.

**SAN FRANCISCO REDEVELOPMENT AGENCY AVAILABILITY
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
BASED ON GEOGRAPHIC MARKET FOR AWARDEE CONTRACTS
FOR HISPANIC-OWNED BUSINESSES**
1986, 1988, 1990

Year	SIC-07	SIC-15	SIC-16	SIC-17	SIC-34	SIC-42	SIC-50	SIC-52	SIC-45	SIC-73	SIC-81	SIC-87,89 ¹
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(11)
1986	5.19 %	3.62 %	2.10 %	5.65 %	8.76 %	5.92 %	0.53 %	1.99 %	0.28 %	4.33 %	1.97 %	1.64 %
1988	8.04	4.00	2.60	6.82	11.34	7.11	0.65	1.63	0.34	5.15	1.99	1.10
1990	12.46	4.43	3.22	8.26	14.76	8.55	0.79	1.34	0.41	6.14	2.02	0.73

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Table 4.4
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- SIC-07: Landscape Services
- SIC-15: Building Construction--General Contractors and Operative Builders
- SIC-16: Heavy Construction Other Than Building Construction--Contractors
- SIC-17: Special Trade Contractors
- SIC-34: Fabricated Metals Other Than Machinery and Transportation Equipment
- SIC-42: Motor Freight Transportation and Warehousing
- SIC-50: Wholesale Trade--Durable Goods
- SIC-65: Real Estate
- SIC-73: Business Services
- SIC-81: Legal Services
- SIC-87,89: Engineering, Accounting, Research, Management and Related Services(SIC-87) and Miscellaneous Services(SIC-89)

¹ SIC codes 87 and 89 were combined by the Bureau of the Census in its 1987 Census of Minority and Woman-Owned Businesses.

**SAN FRANCISCO REDEVELOPMENT AGENCY AVAILABILITY
BY TWO-DIGIT STANDARD INDUSTRIAL CLASSIFICATION CODE
BASED ON GEOGRAPHIC MARKET FOR AWARDEE CONTRACTS
FOR WOMAN-OWNED BUSINESSES**
1986, 1988, 1990

Year	SIC-97		SIC-15		SIC-16		SIC-17		SIC-34		SIC-42		SIC-50		SIC-52		SIC-65		SIC-73		SIC-81		SIC-87,89 ¹	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
1986	9.72 %	4.43 %	4.12 %	4.56 %	3.15 %	5.16 %	3.15 %	5.16 %	3.14 %	7.31 %	0.14 %	16.23 %	9.69 %	16.23 %	9.69 %	9.69 %	9.69 %	9.69 %	9.69 %	9.69 %	9.69 %	-117-		
1988	16.35	6.02	6.80	6.77	4.64	7.00	4.70	9.26	0.21	26.44	13.20	8.96												
1990	27.52	8.20	11.32	10.07	6.90	9.51	7.08	11.74	0.31	43.21	17.99	8.12												

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Table 4.4
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¹ SIC codes 87 and 89 were combined by the Bureau of the Census in its 1987 Census of Minority and Woman-Owned Businesses.

Source: 1987 Census of Minority and Woman-Owned Businesses, U.S. Bureau of the Census.
County Business Patterns, 1986, 1988, U.S. Bureau of the Census.

AVAILABILITY OF MINORITY- AND WOMAN-OWNED BUSINESSES BY PROCUREMENT CATEGORY
CONTRACT-DOLLAR WEIGHTED AND CONTRACT WEIGHTED AVERAGE
SAN FRANCISCO REDEVELOPMENT AGENCY
PRIVATELY AND PUBLICLY FUNDED CONTRACTS COMBINED
1986

Line No.	Line-Item	Procurement Category					
		Construction ¹		Professional Services ²		Commodity Purchasing ³	
		Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Ethnicity and Gender of Business						
(1)	African American	1.98%	2.31%	2.85%	2.25%	1.28%	2.46%
(2)	Asian	6.96%	8.05%	5.48%	4.49%	7.85%	6.33%
(3)	Hispanic	5.72%	5.44%	4.04%	4.33%	3.28%	5.26%
(4)	Total MBE	14.66%	15.80%	12.37%	11.07%	12.41%	14.05%
(5)	Total WBE	4.37%	4.50%	15.25%	15.14%	3.69%	4.59%

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Notes: ¹ Includes SIC codes 15, 16, and 17.

² Includes SIC codes 60-65, 67, 70-89, 94, and 96.

³ Includes all SIC codes 07, 24, 25, 32-34, 42, 47, 49, 50 and 52.

Source: 1987 Census of Minority- and Woman-Owned Businesses: County Business Patterns, 1986, U.S. Bureau of the Census.

Table 4.5
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AVAILABILITY OF MINORITY- AND WOMAN-OWNED BUSINESSES BY PROCUREMENT CATEGORY
 CONTRACT-DOLLAR WEIGHTED AND CONTRACT WEIGHTED AVERAGE
 SAN FRANCISCO REDEVELOPMENT AGENCY
 PRIVATELY AND PUBLICLY FUNDED CONTRACTS COMBINED
 1988

Line No.	Line Item	Procurement Category					
		Construction ¹		Professional Services ²		Commodity Purchasing ³	
		Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted
(1)	(2)	(3)	(4)	(Percent)	(Percent)	(5)	(6)
Ethnicity and Gender of Business							
(1) African American		2.72%	3.29%	4.01%	3.18%	1.65%	3.18%
(2) Asian		10.61%	12.53%	8.28%	6.51%	12.63%	10.04%
(3) Hispanic		6.86%	6.56%	4.79%	5.15%	4.16%	7.38%
(4) Total MBE		20.19%	22.38%	17.08%	14.84%	18.44%	20.60%
(5) Total WBE		6.47%	6.77%	24.48%	24.23%	5.67%	7.02%

Notes: ¹ Includes SIC codes 15, 16, and 17.

² Includes SIC codes 60-65, 67, 70-89, 94, and 96.

³ Includes all SIC codes 07, 24, 25, 32-34, 42, 47, 49, 50 and 52.

Source: 1987 Census of Minority- and Woman-Owned Businesses,
County Business Patterns, 1986, U.S. Bureau of the Census.

Table 4.5
 Page 2 of 3

AVAILABILITY OF MINORITY- AND WOMAN-OWNED BUSINESSES BY PROCUREMENT CATEGORY
CONTRACT-DOLLAR WEIGHTED AND CONTRACT WEIGHTED AVERAGE
SAN FRANCISCO REDEVELOPMENT AGENCY
PRIVATELY AND PUBLICLY FUNDED CONTRACTS COMBINED
1990

Line No.	Procurement Category					
	Construction ¹		Professional Services ²		Commodity Purchasing ³	
	Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted	Dollar-Weighted	Contract-Weighted
	(1)	(2)	(3)	(4)	(5)	(6)
Ethnicity and Gender of Business						
(1) African American	3.76%	4.68%	5.66%	4.51%	2.12%	4.13%
(2) Asian	16.24%	19.57%	12.61%	9.52%	20.35%	15.95%
(3) Hispanic	8.25%	7.95%	5.71%	6.14%	5.34%	10.48%
(4) Total MBE	28.25%	32.20%	23.98%	20.17%	27.81%	30.56%
(5) Total WBE	9.60%	10.23%	39.58%	39.01%	8.76%	10.84%

Notes: ¹ Includes SIC codes 15, 16, and 17.

² Includes SIC codes 60-65, 67, 70-89, 94, and 96.

³ Includes all SIC codes 07, 24, 25, 32-34, 42, 47, 49, 50 and 52.

Source: 1987 Census of Minority- and Woman-Owned Businesses,
County Business Patterns, 1986, U.S. Bureau of the Census.

SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKET FOR PROCUREMENTS



CHAPTER 5

**COMPARISON OF AVAILABILITY AND UTILIZATION
OF MINORITY AND WOMAN-OWNED BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY
GEOGRAPHIC MARKET**

In the last two chapters, we presented estimates of the extent to which SFRA utilizes M/WBEs from the various industries in which the SFRA does business, and we presented estimates of the availability of M/WBEs in these industries. In this chapter, we compare the utilization of M/WBEs by SFRA with the availability of M/WBEs in SFRA geographic market. In addition, because we have no SFRA utilization data for a period in which SFRA was without an affirmative action program in place, we also compare private sector construction firm utilization and availability. This comparison avoids the bias introduced by using SFRA utilization, which has been influenced by M/WBE outreach efforts.

A. Disparity Study Methodology

In Chapter 4, we discussed the general concept behind the statistical tests for disparities between utilization and availability; that is, we determined whether the utilization of M/WBEs is different from their availability in the marketplace in a way that cannot be reasonably ascribed to chance. We will now discuss the particular levels of detail — e.g., for industries, racial groups and women and types of contracts — for which we compare utilization and availability and our reasons for choosing these levels of detail.

1. Industry Definition

We have attempted to analyze the data at the most detailed level possible. Although such analysis might not be required, and is not even appropriate in resolving some issues, it is at least theoretically possible that some industries are more or less subject to discrimination than other industries. For instance, it might be interesting to examine whether a disparity exists in the roofing construction industry as opposed to the specialty trade construction industries which include roofing. Unfortunately, neither the availability nor the utilization data available permit such detailed examination.

The Census of Minority and Woman-Owned Businesses and the County Business Patterns publications, described in Chapter 4, provide data at the two-digit SIC code level. For example, some two-digit SIC code industries are building construction (15), heavy construction (16), special trades construction (17), wholesale trade in durable goods (50), wholesale trade in nondurable goods (51), and business services (73). We have identified 2-digit SIC codes for the contracts and purchase orders we have examined by examining either contract documents or by using accounting codes provided to us by the Agency. We

have attempted to assign each contract and purchase order to a corresponding 2-digit SIC code industry. We did not have adequate information to make more detailed assignments.

Thus, our availability and utilization data are at the 2-digit SIC code level. We have decided for several reasons, however, that even the 2-digit SIC code level is too detailed for the purposes of conducting a statistically reliable analysis. First, we have been told by officials of the U.S. Bureau of the Census that the assignments of M/WBEs to 2-digit SIC codes is problematic. The Bureau has suggested that more aggregate industries — such as construction — would be more reliable. Second, while we made every attempt possible to assign sensible 2-digit SIC codes to the contract and purchase order data, this too was problematic. Our aggregate industry assignments — e.g., construction — are much more accurate than the detailed industry assignments. Third, in many cases there are not a sufficient number of contracts and purchase orders at the 2-digit SIC code level for us to draw statistically reliable conclusions concerning whether there are disparities. By combining 2-digit SIC code industries into more aggregate industries, we are able to increase the number of observations and the statistical reliability of the analysis.

Although it is preferable to be as precise as possible, it does not make sense to consider potential disparities at a level of detail that is not supported by the data. We have therefore conducted the analysis for the three major procurement categories used by the Agency: construction, professional services and purchasing of commodities. We believe that these procurement categories are the most sensible ones for conducting the analysis for two reasons. First, different procurement methods are used to procure goods and services in these three categories. It is useful to tailor our analysis of disparities to the different types

of procurement practices that might lead to these disparities. Second, the types of problems that M/WBEs might encounter within each of these broad industries are similar. For example, construction firms tend to encounter difficulties in obtaining bonding while this is of little concern to commodity firms. Professional licensing and trade associations are probably more important for professional service firms than for construction firms. Obtaining distributorship rights are important for commodity firms but not for construction or professional service firms.

2. Race/Ethnicity and Gender Breakdown

The next issue concerns the race/ethnicity and gender breakdowns to use in conducting the disparity tests. Again, it would be preferable to have as precise a level of as possible. We have used race/ethnicity breakdowns at the most precise levels afforded by the availability data from the Census Bureau. There are data on three minority groups: (1) African Americans, (2) Hispanics¹ and (3) Asian Americans (which include people having origins in any of the original peoples of the Far East, Southeast Asia, the Indian subcontinent and the Pacific Islands), Native Americans and Aleuts. There are separate Census data for woman-owned firms, but there are no data on the race/ethnicity of these women, so women (regardless of race or ethnicity) constitute the fourth group for our disparity analyses. We have aggregated the utilization data reported in Chapter 3 to correspond to these groups.

There is another limitation on the race and gender breakdowns. The reader will recall from our utilization estimates in Chapter 3 that a number of contracts were awarded

¹ We deleted Portuguese from the Hispanic utilization data as well. Thus, the availability and utilization data are based on the same ethnic groups.

to firms that are MBEs whose race we were unable to determine from the M/WBE directories upon which we relied. These contracts are excluded from our utilization estimates for Asians, African Americans and Hispanics. Consequently, our utilization estimates may understate the actual utilization of Asians, African Americans and Hispanics. In our discussion below we examine whether the degree of utilization of MBEs of unknown race could alter our findings on the existence of disparities below utilization and availability. As it turns out, the lack of race information on some MBEs does not have a material effect on our findings.

3. Other Breakdowns

As discussed in Chapter 3, we have also separated publicly and privately funded contracts. Again, because SFRA's outreach efforts may differ in impact if not intent across these Agency activities, we thought this distinction might prove revealing. In fact, they have, as discussed in Section C below.

B. Statistical Framework

There are two different tests that we have used in determining whether disparities exist between the availability and utilization of minority and woman-owned businesses. We describe here the question that each test addresses.

1. Disparity between Availability and Numerical-Utilization of M/WBEs

This test (which we will refer to as the Numerical-Utilization Test) examines whether the number of procurements received by M/WBEs is lower than would be expected based on their availability. Utilization, for the purposes of this test, will be measured as the number of procurements received by a particular race or sex group divided by the number

of total procurements. Essentially, we will assume that if Asian MBE availability is seven percent — i.e., seven percent of all firms are Asian-owned — each time a procurement is awarded there is a seven percent chance that it will go to an Asian MBE. If Asian MBEs receive fewer procurements than would be expected based on their availability — i.e., less than seven percent of procurements in our example — we would have evidence that Asian MBEs are being underutilized.

Even in the absence of discrimination, however, we would expect that Asian MBEs, to continue our example, would sometimes receive more than seven percent of procurements and sometimes less than seven percent of procurements just as a matter of chance. As mentioned in the previous chapter, it is possible to calculate the probability of observing particular degrees of underutilization or overutilization. The probability of observing a particular degree of underutilization depends upon (a) the degree of underutilization, (b) availability (which measures expected utilization) and (c) the number of procurements that we have examined in calculating utilization.²

If the probability of observing a particular disparity between utilization and availability is less than five percent — i.e., less than one out of 20 times — we would conclude

² In technical terms, the test statistic denoted by t is:

$$t = \frac{\hat{p} - p_0}{\sqrt{\frac{p_0(1-p_0)}{n}}}$$

where $\begin{cases} \hat{p} = \text{ratio of M/WBE to total procurements} \\ p_0 = \text{ratio of M/WBEs to total firms} \\ n = \text{number of total procurements.} \end{cases}$

If t is greater than approximately two, in absolute value, then the likelihood of observing such a disparity due to chance is less than five percent (i.e., we would expect to observe such a disparity only one out of 20 times).

that the disparity is so unlikely that it is probably not due to chance.³ In the language of statistics, a disparity that is likely to occur less than one out of 20 times is called "statistically significant." Thus, if Asian MBEs receive three percent of procurements — substantially less than the seven percent we would expect in our example — and if the likelihood of this happening as a result of chance is less than one out of 20 times we would conclude that there is a statistically significant disparity for Asian MBEs.

While tests for statistical significance are extremely useful for assessing whether chance can explain disparities that we observe, they do have important limitations. First, the fact that a disparity is not statistically significant does not mean that it *is* due to chance. It just means that we cannot rule chance out on that test alone. Second, there are circumstances under which tests for statistical significance are not very helpful for distinguishing disparities due to chance from disparities due to other reasons such as discrimination. In the particular statistical application in this chapter, tests for statistical significance are less reliable when (a) we examine a relatively small number of procurements and when (b) the expected utilization of women or a particular racial group — measured by their availability — is relatively small.⁴

Factor (a) is fairly obvious. Chance phenomena tend to average out when we consider larger samples so that a given percentage disparity is less likely to be due to chance

³ Five percent is a somewhat arbitrary, but common, benchmark used by statisticians. In employment discrimination litigation, the courts frequently have not considered disparities that could occur more than five percent of the time as a result of chance to be statistically significant.

⁴ In statistical language, these are circumstances under which the "power" of the test is relatively low.

in a larger sample than in a smaller sample. The role of chance is therefore much greater when we examine 20 procurements than when we examine 1000 procurements.

Factor (b) is less obvious. The following example provides the intuition behind this factor. Consider an urn with 1000 red and white balls. Fifty percent of the balls are white and 50 percent are red. You pick 100 balls from the urn. You would expect that 50 of the balls you pick will be red and 50 will be white. You would probably be very surprised if only 25 were red and 75 were white — this draw is possible but unlikely. But now suppose two percent of the balls were red and 98 percent were white in an urn with 1000 balls. Again you pick 100. This time you would expect that two of the balls will be red and 98 will be white. You would probably not be very surprised, however, if you picked one red ball and 99 white balls. But notice that in both of these examples — one where 50 percent of the balls are red and the other where two percent of the balls are red — you picked only half as many red balls as you would have expected ($25/50$ in the first case and $1/2$ in the second case). You were surprised in the first case because the disparity between the actual number of balls you picked and the expected number of balls you picked — 25 versus 50 — results from having picked a white ball instead of a red ball 25 times. You were not as surprised in the second case because the disparity between the actual number of balls you picked and the expected number of balls you picked — one versus two — results from having picked a red ball instead of a white ball only a single time.

Unfortunately, it turns out that for some of the procurement areas we examine both of these factors tend to reduce the reliability of our tests for statistical significance. SFRA has awarded relatively few construction contracts during the time periods we have

examined — therefore the number of procurements in our sample is small — and the percent availability of M/WBEs (especially African Americans) is relatively small (about one to two percent for African Americans in construction for some of the time periods we consider). In these circumstances it is not surprising to find, as we do below, that large differences between utilization and availability are not statistically significant. In these cases we place less weight on the statistical evidence reported in this chapter and more weight on the anecdotal evidence reported in the next chapter.

2. Disparity between Availability and Dollar Utilization of M/WBEs

In the Numerical-Utilization Test, a \$1 procurement receives the same weight as a \$1,000,000 procurement. In other words, if M/WBEs receive a share of the larger contracts that is less than would be expected based on their availability, but receive a correspondingly higher share of small contracts than would be expected based on their availability, then this test would not reach a finding of a disparity. It is thus desirable to account for the size of procurements as well as the number of procurements.

The Dollar-Utilization Test is analogous to the Numerical-Utilization Test. It also tests whether the utilization of M/WBEs is lower than would be expected based on their availability, but utilization is measured here in dollars instead of the number of

procurements.⁵ There might be cases where M/WBEs received a proportionate share of contracts, but not of contract dollars; this scenario is the focus of this test.

3. Measures of the Magnitude of Disparities

In the case of both tests it is helpful to report a summary measure of the extent to which M/WBE utilization deviates from expected utilization (i.e., availability). A convenient measure is the percent of expected utilization that is achieved. Thus, if the availability of Hispanic MBEs is ten percent we would expect that utilization would be ten percent. Suppose utilization is only eight percent. Then utilization is only 80 percent (eight percent divided by ten percent) of expected utilization. A ratio of less than 100 indicates that the group under consideration has been underutilized; the lower the ratio of actual utilization to expected utilization, the greater the extent to which M/WBEs have been underutilized.

⁵ In technical terms, the test denoted by the t statistic is:

$$t = \frac{d - d_0}{\sqrt{\frac{d_0(1-d_0) \cdot \sum C_i^2}{(\sum C_i)^2}}}$$

where $\begin{cases} d = \text{ratio of M/WBE dollars to total dollars} \\ d_0 = \text{ratio of M/WBEs to total firms} \\ C_i = \text{dollar size of procurements.} \end{cases}$

If t is greater than approximately two, in absolute value, then the likelihood of observing such a disparity due to chance is less than five percent (i.e., we would expect to observe such a disparity only one out of 20 times).

C. Disparity Test Results

We now turn to the results of the disparity tests. Tables 5.1-A through 5.1-C summarize the results of our disparity analysis for construction contracts. We report the two disparity measures discussed in the previous section. The first disparity measure is based on the *proportion of project dollars received by M/WBEs* as a percent of the *proportion of businesses operated by M/WBEs*. The second measure is based on the *proportion of projects received by M/WBEs* as a percent of the *proportion of businesses operated by M/WBEs*. These disparity measures are reported for African Americans, Hispanics, and Asians (including Native Americans and minorities not included elsewhere). These disparity measures are reported separately for construction, professional services and procurement for both privately and publicly funded contracts.

As discussed in Chapter 2, SFRA did not completely abandon its M/WBE program following the Croson decision and has had some type of program in place since the early 1980s. Consequently, there is no period for which we can use SFRA contract data to gauge utilization without a program. This is a critical limitation because utilization rates observed while an M/WBE program is in place will overstate the utilization which would have occurred in the absence of the program. Thus, the available utilization rates are insufficient by themselves to provide adequate statistical evidence of discrimination. To address this problem, we have collected data on private sector M/WBE utilization and compared these rates to M/WBE availability. The private sector provides a reasonable measure of M/WBE utilization since, aside from large corporations, the private sector has

relatively few aggressive M/WBE programs. The result of the private sector analysis are presented in Section D below.

The SFRA M/WBE utilization rates, however, are also quite useful. While they will not necessarily reveal discrimination, they may strongly suggest it. If, for example, we find that SFRA utilization of M/WBEs is less than would be expected given the available firms, then we must conclude that either discrimination remains a difficult condition to overcome or that the affirmative action program is not working. In either case, we have important statistical information to support the continuation of a program and to perhaps help improve the program.

1. Construction

Tables 5.1-A through 5.1-D present the construction disparity results. To assist the reader in interpreting these tables, it may be useful to interpret one of the entries. Referring to Table 5.1-A, the column labeled "line-item" indicates the race or WBE group. The first numbered column reports the percent of total dollars for privately funded contracts that were awarded to this race or WBE group. The second numbered column reports the percent of available businesses that were operated by members of the particular group; this availability estimate is a dollar-weighted average of availability across the geographic market and industries included in the analysis. The third numbered column reports the disparity ratio based on dollars; this ratio is calculated by dividing utilization in column (1) by availability in column (2). The fourth column reports the t-statistic for each disparity ratio, a value of two or greater indicates the estimates are statistically significant. The fifth through eighth columns repeat the first through fourth for publicly funded contracts.

We now turn to a summary of the findings based on the results reported in Tables 5.1-A through 5.1-D. We will first consider construction contracting including both prime and subcontracting.

Table 5.1-A summarizes our findings for construction contracts overall. As the table indicates, we found no disparity between utilization and availability for most M/WBE categories. This is not surprising because, as discussed above, the contracting data we examined covers a period in which SFRA had an M/WBE program. Lack of disparity might simply indicate that the program is working. The fact that we did find several M/WBE categories underutilized, however, does suggest that discrimination remains difficult to overcome. For example, we found that in privately funded construction contracts, WBEs were underutilized on the contract dollar basis — only 30.93 percent of the available WBEs were utilized in privately funded contracts and only 43.67 percent were utilized in publicly funded contracts. We also found that on a contract dollar basis, Asian firms were underutilized in privately funded contracts.

Tables 5.1-B and 5.1-C present the disparity results at the prime contractor and subcontractor construction contract levels. We found additional instances of underutilization despite the presence of outreach efforts at all levels, but most notably for prime contracts. As shown in Table 5.1-B, with the exception of African American prime contractors, MBEs were underutilized on a contract dollar basis. This pattern is not repeated exactly in subcontracting. African American firms were never found underutilized under any

construction category.⁶ Hispanic firms were found underutilized as prime contractors. Asian and WBEs were found underutilized at both contracting levels under privately funded contracts on a contract dollar basis. WBEs were also underutilized as subcontractors in publicly funded contracts on a contract dollar basis.

2. Professional Services

Table 5.2 presents the disparity results for professional services. Again, we found no disparity for most M/WBE categories. In fact, we observed disparities for only two groups — Hispanics and WBEs for both privately and publicly funded contracts on a contract dollar basis. WBEs were also found underutilized on a numerical contract basis for both privately and publicly funded contracts as well. In addition, the WBE publicly funded disparity was statistically significant.

3. Purchasing

Table 5.3 summarizes the disparity analysis results for purchasing. Here we found underutilization in privately funded contracts on a contract dollar basis for WBEs and a numerical contract basis for Hispanic. Also, Hispanics have been underutilized on a contract dollar basis for publicly funded contracts. None of the disparities was statistically significant.

⁶ The utilization of African American firms may be the result of the requirements of Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u, which requires that to the greatest extent feasible contracts for work in connection with a HUD-funded urban renewal project be awarded to business concerns which are located in or owned in substantial part by persons residing in the area of the project.

D. Analysis of Disparities in the Private Sector Construction Market

As we have already discussed, to determine whether discrimination limits the ability of M/WBEs to compete in the marketplace for public-sector procurements, it is critical to examine the utilization of M/WBEs in the absence of outreach efforts. Consequently, because SFRA has continuously operated some form of program, the previous analysis is not sufficient to demonstrate discrimination.

It is, therefore, necessary to supplement the results reported in the previous section with an analysis of M/WBE utilization in the private sector construction market. Looking at the private sector is informative for at least two reasons. First, discriminatory practices that limit the ability of M/WBEs to compete are just as likely to be felt in the private sector as in the public sector. Second, with rare exceptions, the private sector does not have affirmative action programs for M/WBEs; therefore, the private sector provides a true picture of M/WBE utilization in the absence of such programs.

We developed private sector construction utilization data from three sources: (1) our mail survey of M/WBEs, which we will discuss in detail in the next chapter, (2) the directory of M/WBE firms in the San Francisco Metropolitan Area that was discussed in Chapter 3, (3) the 1987 Census of Construction Industries, Census of Service Industries and Census of Wholesale Trade, (4) the 1987 Census of Minority and Woman-Owned Businesses and (5) a survey of private developers in San Francisco identified from city building permit data. By comparing these rates to M/WBE availability data from the 1987 Census of Minority Woman-Owned Businesses, we were able to determine whether disparities exist

between utilization and availability across all M/WBE categories in construction, services and purchasing.

1. Construction

Table 5.4 presents the disparity analysis of overall construction contracts. As shown in this table, M/WBE firms are utilized at levels between 5 and 32 percent of their availability in the construction industry. African American-owned businesses, for example, are used in 0.21 percent of private sector construction work on a dollar basis, while they represent 3.76 percent of the available firms. Thus, they are used only 5.6 percent of their availability ($0.21 \div 3.76 = 5.6\%$). Asian, Hispanic and woman-owned firms fare slightly better, but still are utilized at levels under 32 percent of their availability.

We also compared private sector utilization by prime and subcontractors to the availability data. As shown in Table 5.5 and 5.6, both minority and woman-owned prime and subcontractors are greatly underutilized compared to their availability. An interesting result of this analysis showed that while both prime and subcontractors are underutilized in all M/WBE categories, the disparity is greater for prime contractors (between 3 and 8 percent) than for subcontractors (between 1 and 75 percent). This result highlights a particular difficulty which M/WBE construction firms face in obtaining larger prime contracts in the private sector. The pattern of underutilization differed across racial/ethnic and gender categories for both prime and subcontractor construction work. For prime contractors, the greatest underutilization occurs for African American-owned firms, which received only 2.9 percent ($0.11 \div 3.76$) of the dollars we would have expected them to receive. Woman-owned prime contractors fare the best among M/WBE categories, but still

received only 8.4 percent ($0.81 \div 9.6$) of prime contract dollars available. The range for subcontractors is between 1.1 percent ($0.18 \div 16.24$) for Asian-owned firms and 75.0 percent ($7.29 \div 9.6$) for woman-owned firms. This last figure represents the highest level of utilization we found in the entire private sector analysis, but it still does not reach the level of utilization expected, given the availability of Hispanic-owned construction firms.

2. Services

Our analysis of disparity in the service industries was performed for the overall service sector rather than just for private sector service contracts. No reliable data were available concerning the portion of service revenue obtained from private as opposed to public sector customers. Since we believe the public sector proportion of service industry revenue is small, the analysis for the overall service industry is presented.

These results, as shown in Table 5.7, again show that M/WBE firms are underutilized in the service industries. The level of underutilization, however, is somewhat less for services than for construction and purchasing. We see from the table that African American-owned firms had the greatest disparity (10.8 percent), with woman-owned firms at 15.8 percent ($6.26 \div 39.58$), Hispanic-owned firms at 18.2 percent ($1.04 \div 5.71$) and Asian-owned firms earning 25.7 percent ($3.24 \div 12.61$) of the expected dollars available in services.

3. Commodity Purchasing

The disparity analysis for commodity procurement contracts in the private sector again shows a very high degree of underutilization, especially for Hispanic and African American-owned firms. As shown in Table 5.8, only 0.47 percent ($0.01 \div 2.12$) of the dollars expected to be available to African American-owned firms were actually earned; for

Hispanic-owned firms, the disparity ratio was 1.1 percent ($0.06 \div 534$). Asian and woman-owned firms did better (2.2 and 9.6 percent disparity ratios, respectively), but were still greatly underutilized according to our analysis.

Tables 5.9-A and 5.9-B show the disparity results of the private sector disparity analysis of prime and subcontractors based on the NERA survey of private construction contractors from SFRA contract data. In all cases, M/WBEs received less than we would expect.

The availability data used in this analysis are described in Chapter 4. The utilization rates, as noted above, were based on several sources. These sources were used to derive two measures of utilization. The first one relies on the 1987 Census of Minority and Woman-Owned Businesses, our M/WBE survey data and the 1987 Census of Construction Industries, Census of Wholesale Trade and Census of Service Industries. We calculate measures of utilization for construction (overall, prime and subcontractors), services and purchasing by this first method. The second method of utilization relies on the NERA compiled directory of M/WBE firms in the Bay Area and the 1987 Census of Construction Industries, Census of Wholesale Trade and Census of Service Industries. A much smaller amount of data from our M/WBE survey was used. This method was used to calculate utilization for the three levels of construction as well as for services. The derivation of these measures is explained as follows:

We estimated private sector utilization using our M/WBE survey and Census data in two ways. First, we obtained data on the revenue of M/WBEs from the Census of Minority and Woman-Owned Businesses and relied on the survey to obtain the private

sector share of revenue. Second, we relied on the NERA directory to determine the number of M/WBE firms and the survey to establish both the average revenue for minority- and woman-owned firms and the share of that revenue obtained from private sector clients. Because the Census does not provide data on the share of private sector income in the service industry, only an overall utilization is calculated for services. As shown below, both approaches computed very low utilization rates for all minority and woman-owned firms in all industries examined.

Table 5.14 summarizes the approach using Census rather than survey-based data to determine M/WBE revenue for purchasing. Line 1 shows, for example, that African American-owned firms reported \$15.3 million in purchasing revenues while woman-owned firms reported \$1.98 billion in revenues. Using this information and the private sector revenue share data from our M/WBE survey, we calculated total private sector M/WBE revenue at line 3. Comparing these revenue to total private sector construction revenue as reported in the 1987 Census of Construction Industries creates the utilization rates shown at line 7. These utilization rates are quite low, ranging from 0.01 percent for African American-owned firms to 0.84 percent for woman-owned firms.

Tables 5.10, 5.11, 5.12 and 5.13 present similar utilization calculations for overall construction, construction prime contractors, subcontractors and services⁷ respectively. For construction, the highest utilization level is for woman-owned construction subcontractors (7.2 percent). The utilization rates for services are higher, ranging from 0.61 percent for African American firms to 6.26 percent for woman-owned firms. Finally, the utilization of

⁷ Recall that the service calculations are for overall, not simply private sector utilization.

M/WBE firms in commodities purchasing is the lowest overall, ranging from 0.01 percent for African American firms to 0.84 percent for woman-owned firms.

Table 5.17 summarizes our calculations using survey-based revenue estimates for purchasing. As line 2 of the Table shows, our survey respondents reported average revenues ranging from \$760 thousand for African American-owned firms to \$3.7 million for Asian-owned firms. The respondents also reported that private sector clients accounted for between 45 and 74 percent of total revenues (see line 4). Using this information and the total number of M/WBE suppliers according to our master directory (see line 1), we estimated total M/WBE private sector revenues. As shown at line 5, these revenues range from \$152 million for African American-owned businesses to \$918 million for woman-owned suppliers. Private sector utilization is calculated by comparing these revenues to total private sector commodities revenue for all firms as reported in the 1987 Census of Wholesale Trade. Line 9 presents the utilization rates which range from 0.14 percent for African American-owned firms to 0.87 percent for woman-owned firms.

Tables 5.15 and 5.16 present similar utilization calculations for overall construction and services, respectively. Note that by using this method, no M/WBE category utilization exceeds 2.08 percent in any case. M/WBE firms in service industries (0.75 percent for Hispanic-owned businesses to 2.08 percent for African American-owned firms) and construction industries (0.10 percent for African American-owned businesses to 1.49 percent for woman-owned businesses) had a higher range of utilization than for purchasing M/WBEs.

Finally, Table 5.18 summarizes the approach using the survey of 67 private developers. As noted above, only 8 developers responded completely enough to use. While this is a very small sample, it is likely to underestimate utilization because the firms which chose to participate in the survey are likely to utilize M/WBEs more than those firms which chose not to participate. As shown by the table, the participating developers identified \$40 million in prime contracts (13 contracts) and \$13.4 million in subcontracts (64 contracts). No minority firms were identified as prime contractors. In addition, only Asian and WBE subcontractors were identified.

E. Conclusions

We have reached several conclusions in this chapter concerning the underutilization of M/WBEs by SFRA.

- Asian and Hispanic MBEs and WBEs received a disproportionately small share of prime contract dollars for the prime construction contracts despite outreach efforts. These disparities are, however, not statistically significant because of the small number of contracts we examined and the very low availability observed.
- WBEs and Asian MBEs received a disproportionately small share of subcontract dollars for privately funded construction contracts despite outreach efforts. The Asian disparity was statistically significant.
- WBEs receive a disproportionately small share of privately funded purchasing contract dollars. Also, Hispanics received a smaller than expected share of publicly funded contract dollars on a numerical contract basis. Hispanics received a disproportionately small share of privately funded contracts.
- On construction contracts awarded in the private sector in SFRA's geographic market, M/WBEs received a smaller share of prime contractor dollars and subcontractor dollars than we would expect given their availability. For example, Asian-owned contractors received only 8 percent of the prime contract dollars we would have expected them to have received.

- On overall service contracts and private sector commodities procurements in SFRA's geographic market, M/WBEs received a smaller share of contract dollars than we would expect given their availability. For example, woman-owned commodities firms received only 9.6 percent of the dollars we would have expected them to receive.
- According to our survey of private developers in San Francisco, no M/WBE prime contractors were used for 13 construction contracts totaling over \$40 million and only 4 of 64 subcontracts went to M/WBEs. No contracts went to African American, Hispanic or Native American firms.

DISPARITY ANALYSIS OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY OVERALL CONSTRUCTION CONTRACTS¹
PRIVATELY AND PUBLICLY FUNDED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line Item	Privately Funded Contracts				Publicly Funded Contracts				t-Statistic ² (8)
		Utilization		Availability	Ratio	Utilization		Availability	Ratio	
		(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	(Percent)	
Contract Dollars by Ethnicity and for WBEs										
(1)	African American	6.06%	1.98%	306.28%	2.61	17.26%	1.98%	871.73%	8.72	
(2)	Asian	3.24%	6.96%	46.55%	-1.30	9.68%	6.96%	139.08%	0.35	
(3)	Hispanic	5.93%	5.72%	103.70%	0.08	5.09%	5.72%	88.93%	-0.09	
(4)	Total MBE ²	15.24%	14.66%	103.93%	0.15	32.03%	14.66%	218.47%	1.65	
(5)	Total WBE ²	1.35%	4.38%	30.93%	-1.31	1.91%	4.38%	43.67%		
Number of Contracts by Ethnicity and for WBEs										
(6)	African American	12.29%	2.31%	531.20%	29.75	13.87%	2.31%	600.37%	8.99	
(7)	Asian	8.56%	8.05%	106.35%	0.84	8.76%	8.05%	108.82%	0.31	
(8)	Hispanic	6.72%	5.44%	123.53%	2.53	13.87%	5.44%	254.94%	4.35	
(9)	Total MBE ²	27.58%	15.80%	174.48%	14.46	36.50%	15.80%	231.00%	6.64	
(10)	Total WBE ²	3.88%	4.51%	86.09%	-1.35	6.57%	4.51%	145.66%	1.16	

Note: ¹ The construction procurement category includes SIC-15, SIC-16, and SIC-17.

² Total MBE cannot be added to total WBE to obtain total M/WBE due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but should be counted only once in a combined MBE and WBE total.

³ As discussed in the test, the t-statistic measures statistical significance. If t is greater than two, in absolute value, then the observed disparity is not likely to be due to chance.

Sources: Availability figures are from Table 4.5.

Utilization figures are from Table 3.5.A.

t-statistics are from NERA calculations.

Table 5.1-A

DISPARITY ANALYSIS OF MINORITY AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO RENEWAL AGENCY CONSTRUCTION PRIME CONTRACTS
PRIVATELY AND PUBLICLY FUNDED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line Item	Privately Funded Contracts			Publicly Funded Contracts			t-Statistic ¹
		Utilization (Percent)	Availability (Percent)	t-Statistic ²	Utilization (Percent)	Availability (Percent)	t-Statistic ²	
		(1)	(2)	(1)/(2)	(3)	(4)	(5)	(6)
Contract Dollars by Ethnicity and for WBEs								
(1)	African American	5.31%	1.98%	268.18%	1.28	20.27%	1.98%	-145-
(2)	Asian	3.71%	6.96%	53.30%	-0.69	0.74%	6.96%	1023.74%
(3)	Hispanic	2.68%	5.72%	46.85%	-0.70	0.62%	5.72%	10.63%
(4)	Total MBE ¹	11.70%	14.66%	79.81%	-0.45	21.63%	14.66%	-0.25
(5)	Total WBE ¹	1.06%	4.38%	24.20%	-0.87	0.00%	4.38%	-0.31
Number of Contracts by Ethnicity and for WBEs								
(6)	African American	7.61%	2.31%	129.44%	4.78	13.79%	2.31%	596.97%
(7)	Asian	18.49%	8.05%	229.57%	5.20	10.55%	8.05%	128.57%
(8)	Hispanic	2.72%	5.44%	50.0%	-1.63	6.90%	5.44%	126.84%
(9)	Total MBE ¹	28.81%	15.80%	182.34%	4.83	31.04%	15.80%	196.46%
(10)	Total WBE ¹	0.34%	4.51%	11.97%	-2.59 *	0.00%	4.51%	0.00%
n e r a								

*-Indicates a disparity that is statistically significant at the five percent level or better.

Notes: ¹ Total MBE cannot be added to total WBE to obtain total WBE due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but should be counted only once in combined MBE and WBE total.

² As discussed in the text, the t-statistic measures statistical significance. If it is greater than approximately two, in absolute value, then the observed disparity is not likely to be due to chance.

Sources: Availability figures are based on Table 4.5.
 Utilization figures are from Table 3.5-B.
 t-statistics are from NERA calculations.

Table 5.1-B

DISPARITY ANALYSIS OF MINORITY AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY CONSTRUCTION SUBCONTRACTS
PRIVATELY AND PUBLICLY FUNDED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line-Item	Privately Funded Contracts			Publicly Funded Contracts			t-Statistic ²	
		Utilization (Percent)	Availability (Percent)	t-Statistic ³	Utilization (Percent)	Availability (Percent)	t-Statistic ³		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Contract Dollars by Ethnicity and for WBEs									
(1)	African American	6.52%	1.98%	329.29%	3.90	14.55%	1.98%	734.85%	1.39
(2)	Asian	2.58%	6.96%	37.07%	-2.06*	18.99%	6.96%	272.84%	0.27
(3)	Hispanic	10.56%	5.72%	184.62%	2.48	9.74%	5.72%	170.28%	0.73
(4)	Total MBE ¹	19.66%	14.66%	134.11%	1.72	43.28%	14.66%	295.23%	4.02
(5)	Total WBE ¹	1.75%	4.38%	39.95%	-1.50	3.99%	4.38%	89.04%	-0.23
 Number of Contracts by Ethnicity and for WBEs									
(6)	African American	12.87%	2.31%	554.98%	29.21	14.85%	2.31%	642.86%	8.38
(7)	Asian	7.61%	8.05%	94.53%	-0.68	8.91%	8.05%	110.68%	0.32
(8)	Hispanic	7.16%	5.44%	131.62%	3.16	16.83%	5.44%	309.38%	5.05
(9)	Total MBE ¹	27.59%	15.80%	174.62%	13.50	40.59%	15.80%	256.90%	6.82
(10)	Total WBE ¹	4.18%	4.51%	92.68%	-0.67	8.91%	4.51%	197.56%	2.13

* indicates a disparity that is statistically significant at the five percent level or better.

Notes: ¹ Total MBE cannot be added to total WBE to obtain total MWBE; due to the presence of minority woman-owned businesses enterprises Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but should be counted only once in a combined MBE and WBE total.

² As discussed in the text, the t-statistic measures statistical significance. If it is greater than approximately two, in absolute value, then the observed disparity is not likely to be due to chance.

Sources: Availability figures are based on Table 4.5.
 Utilization figures are from Table 3.5-B.
 t-statistics are from NERA calculations.

Table 5.1-C

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DISPARITY ANALYSIS OF MINORITY AND WOMAN-OWNED BUSINESSES
 SAN FRANCISCO REDEVELOPMENT AGENCY PROFESSIONAL AND PERSONAL SERVICE CONTRACTS¹
 PRIVATELY AND PUBLICLY FUNDED CONTRACTS
 JANUARY 1, 1982-JULY 30, 1991

Line No.	Line Item	Privately Funded Contracts			Publicly Funded Contracts			t-Statistic ³
		Utilization (Percent)	Availability (Percent)	t-Statistic ⁴	Utilization (Percent)	Availability (Percent)	t-Statistic ⁴	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Contract Dollars by Ethnicity and for WBEs								
(1) African American	3.52%	28.5%	123.51%	0.06	11.47%	2.85%	402.46%	2.87
(2) Asian	8.40%	5.48%	153.28%	0.17	11.97%	5.48%	218.43%	2.23
(3) Hispanic	0.91%	4.04%	22.52%	-0.20	0.14%	4.04%	3.41%	-1.10
(4) Total MBE ²	12.83%	12.37%	103.72%	0.02	23.58%	12.37%	190.60%	1.89
(5) Total WBE ²	7.44%	15.25%	48.80%	-0.29	2.43%	15.25%	15.93%	-1.97 *
Number of Contracts by Ethnicity and for WBEs								
(6) African American	21.43%	2.25%	952.44%	9.68	12.07%	2.25%	536.44%	8.73
(7) Asian	17.86%	4.49%	397.77%	14.94%	14.94%	3.49%	332.74%	6.57
(8) Hispanic	7.14%	4.33%	164.90%	1.03	1.15%	4.33%	26.56%	-2.06 *
(9) Total MBE ²	46.43%	11.07%	419.42%	8.43	28.16%	11.07%	254.38%	7.18
(10) Total WBE ²	12.50%	15.14%	82.56%	-0.55	8.62%	15.14%	56.94%	-2.40 *

* indicates a disparity that is statistically significant at the five percent level or better.

Note: ¹The professional and personal services procurement category includes SIC(60-65), SIC-67, SIC(70-89), SIC-94, and SIC-96.

²Total MBE cannot be added to total WBE due to the presence of minority woman-owned businesses enterprises.
 Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but should be counted only once in a combined MBE and WBE total.

³As discussed in the text, the t-statistic measures statistical significance. If it is greater than approximately two, in absolute value, then the observed disparity is not likely to be due to chance.

Sources: Availability figures are from Table 4.5.

Utilization figures are from Table 3.6.

t-statistics are from NERA calculations.

Table 5.2

DISPARITY ANALYSIS OF MINORITY- AND WOMAN-OWNED BUSINESSES
SAN FRANCISCO REDEVELOPMENT AGENCY COMMUNITY PURCHASING CONTRACTS¹
PRIVATELY AND PUBLICLY FUNDED CONTRACTS
JANUARY 1, 1982-JULY 30, 1991

Line No.	Line Item	Privately Funded Contracts				Publicly Funded Contracts ²	
		Utilization		t-Statistic ³	Ratio (Percent)		
		(Percent)	(Percent)				
(1)	Contract Dollars by Ethnicity and for WBEs						
(1)	African American	3.83%	1.28%	-298.85%	1.54	1.28%	
(2)	Asian	2.52%	1.73%	145.71%	0.41	14.38%	
(3)	Hispanic	5.39%	3.11%	173.21%	0.89	1.73%	
(4)	Total MBE ²	11.73%	6.12%	191.71%	0.93	3.11%	
(5)	Total WBE ²	1.94%	3.13%	61.98%	-0.46	4.87%	
(6)	Number of Contracts by Ethnicity and for WBEs						
(6)	African American	6.51%	2.48%	262.45%	5.82	19.35%	
(7)	Asian	3.75%	2.03%	184.61%	2.73	12.90%	
(8)	Hispanic	4.54%	5.32%	85.27%	-0.78	12.90%	
(9)	Total MBE ²	14.79%	9.83%	150.49%	0.48	5.32%	
(10)	Total WBE ²	5.33%	3.61%	147.65%	2.08	45.16%	

* indicates a disparity that is statistically significant at the five percent level or better.

Note: ¹The commodity purchasing procurement category includes SIC-07, SIC(24-25), SIC(32-34), SIC-42, SIC-47, SIC(49-50), and SIC-52.

²Total MBE cannot be added to total WBE to obtain total M/WBE due to the presence of minority woman-owned business enterprises.

Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE but should be counted only once in

a combined MBE and WBE total.

³As discussed in the text, the t-statistic measures statistical significance. If it is greater than approximately two, in absolute value, then the observed disparity is not likely to be due to chance.

Sources: Availability figures are from Table 4.5.

Utilization figures are from Table 3.7.

t-statistics are from NERA calculations.

Table 5.3

PRIVATE SECTOR DISPARITY ANALYSIS OF OVERALL CONSTRUCTION CONTRACTS
1990

Race/Sex	Utilization (Percent) (1)	Availability (Percent) (2)	Ratio (Percent) (3) (1)/(2)
African American	0.21 %	3.76 %	5.59 %
Asian	0.92	16.24	5.67
Hispanic	0.98	8.25	11.88
Women	3.09	9.60	32.19

Notes and Sources:

Column No.: (1) NERA table 5.10 (overall private sector construction utilization).
(2) NERA Table 4.5, page 3.

PRIVATE SECTOR DISPARITY ANALYSIS OF PRIME CONSTRUCTION CONTRACTS
1990

Race/Sex	Utilization		Availability		Ratio (Percent) (3) (1)/(2)
	(Percent) (1)	(Percent) (2)	(Percent) (1)	(Percent) (2)	
African American	0.11 %		3.76 %		2.93 %
Asian	1.27		16.24		7.82
Hispanic	0.42		8.25		5.09
Women	0.81		9.60		8.44

Notes and Sources:

Column No.: (1) NERA table 5.11 (prime private sector construction utilization).
 (2) NERA Table 4.5, page 3.

PRIVATE SECTOR DISPARITY ANALYSIS OF SUBCONTRACTOR CONSTRUCTION CONTRACTS
1990

Race/Sex	Utilization		Availability		Ratio (Percent) (3) (1)/(2)
	(Percent) (1)	(Percent) (2)	(Percent) (1)	(Percent) (2)	
African American	0.31 %		3.76 %		8.24 %
Asian	0.18		16.24		1.11
Hispanic	2.22		8.25		26.91
Women	7.20		9.60		75.00

Notes and Sources:

Column No.: (1) NERA table 5.12 (subcontractor private sector construction utilization).
 (2) NERA Table 4.5, page 3.

OVERALL DISPARITY ANALYSIS OF SERVICE CONTRACTS
1990

Race/Sex	Utilization		Availability (Percent) (2)	Ratio (Percent) (3) [(1)/(2)]
	(Percent) (1)			
African American	0.61 %		5.66 %	10.78 %
Asian	3.24		12.61	25.69
Hispanic	1.04		5.71	18.21
Women	6.26		39.58	15.82

Notes and Sources:

Column No.: (1) NERA Table 5.13 (overall services utilization).
(2) NERA Table 4.5, page 3.

Table 5.8

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**PRIVATE SECTOR DISPARITY ANALYSIS OF COMMODITY PROCUREMENT CONTRACTS
1990**

Race/Sex	Utilization		Availability		Ratio (Percent) (3) [(1)/(2)]
	(Percent) (1)	(Percent) (2)	(Percent) (1)	(Percent) (2)	
African American	0.01 %		2.12 %		0.47 %
Asian	0.44		20.35		2.16
Hispanic	0.06		5.34		1.12
Women	0.84		8.76		9.59

Notes and Sources:

Column No.: (1) NERA Table 5.14 (private sector commodities purchasing utilization).

(2) NERA Table 4.5, page 3.

**PRIVATE SECTOR DISPARITY ANALYSIS OF PRIME CONSTRUCTION CONTRACTS
BASED ON NERA SURVEY OF PRIVATE PRIME CONTRACTORS,¹
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKET**

Race/Sex	Utilization (Percent) (1)	Availability (Percent) (2)	Ratio (Percent) (3) (1)/(2)
Prime Contract Dollars			
African American	0.00 %	1.98 %	0.00 %
Asian	0.00	6.96	0.00
Hispanic	0.00	5.72	0.00
Total MBE	0.00	14.66	0.00
Women	0.00	4.37	0.00
Prime Contracts			
African American	0.00 %	2.31 %	0.00 %
Asian	0.00	8.05	0.00
Hispanic	0.00	5.44	0.00
Total MBE	0.00	15.80	0.00
Women	0.00	4.50	0.00

Notes: ¹ Includes SIC codes 15, 16, and 17. There are 13 prime contracts totaling \$40,054,281 in this survey.

Sources:
Column No.:

- (1) NERA table 5.18 (NERA survey of private contractors).
(2) NERA Table 4.5 (availability by procurement category).

**PRIVATE SECTOR DISPARITY ANALYSIS OF CONSTRUCTION SUBCONTRACTS
BASED ON NERA SURVEY OF PRIVATE SUBCONTRACTORS¹
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKET**

Race/Sex	Utilization (Percent) (1)	Availability (Percent) (2)	Ratio (Percent) (3) [(1)/(2)]
Subcontract Dollars			
African American	0.00 %	1.98 %	0.00 %
Asian	2.08	6.96	29.89
Hispanic	0.00	5.72	0.00
Total MBE	2.08	14.66	14.19
Women	0.24	4.37	5.49
Subcontracts			
African American	0.00 %	2.31 %	0.00 %
Asian	3.13	8.05	38.88
Hispanic	0.00	5.44	0.00
Total MBE	3.13	15.80	19.81
Women	3.13	4.50	69.56

n e r a

Table 5.9-B

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Notes: ¹ Includes SIC codes 15, 16, and 17. There are 64 subcontracts totally \$13,419,817 in this survey.

Notes and Sources:

Column No.:

- (1) NERA table 5.18 (NERA survey of private contractors)
- (2) NERA Table 4.5 (availability by procurement category).

**CALCULATION OF PRIVATE SECTOR UTILIZATION OF
MINORITY AND WOMAN-OWNED CONSTRUCTION BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹**

	African Americans	Asians	Hispanics	Women
(1) Total Construction M/WBE Revenue ²	\$75,452,113	\$261,031,219	\$367,889,080	\$1,037,726,284
(2) Private Sector Share ³	55.2%	70.2%	52.7%	59.2%
(3) Private Sector Construction M/WBE Revenue (1) * (2)	\$41,649,566.38	\$183,243,915.74	\$193,877,545.16	\$614,333,960.13
(4) Total Construction Revenue ⁴	\$23,956,948,980	\$23,956,948,980	\$23,956,948,980	\$23,956,948,980
(5) Private Sector Share ⁵	82.9%	82.9%	82.9%	82.9%
(6) Total Private Sector Construction Revenue (4) * (5)	\$19,860,310,704	\$19,860,310,704	\$19,860,310,704	\$19,860,310,704
(7) Utilization (3) / (6)	0.21%	0.92%	0.98%	3.09%

Notes and Sources: ¹The geographic market includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From Census of Minority and Woman-Owned Businesses, 1987. Growth rate of minority firms from 1982 to 1987 applied to derive figure for 1991.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the San Francisco Metropolitan Area.

⁴From Census of Construction Industries, 1987. Inflated to 1991 dollars using GNP data from the Economic Report of the President, February, 1992.

⁵Statewide figures derived from Census of Construction Industries, 1987.

CALCULATION OF PRIVATE SECTOR UTILIZATION OF PRIME CONTRACTORS
 MINORITY AND WOMAN-OWNED CONSTRUCTION BUSINESSES
 IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹

	African Americans	Asian	Hispanics	Women
(1) Total Construction M/WBE Revenue ²	\$55,720,732	\$230,972,807	\$310,532,090	\$784,143,009
(2) Private Sector Prime Share ³	23.8%	66.3%	16.3%	12.3%
(3) Private Sector Prime Construction M/WBE Revenue (1) * (2)	\$13,261,534	\$153,134,971	\$50,616,731	\$98,017,876
(4) Total Construction Revenue ⁴	\$20,691,460,506	\$20,691,460,506	\$20,691,460,506	\$20,691,460,506
(5) Private Sector Share ⁵	82.9%	82.9%	82.9%	82.9%
(6) Prime Contracted Share ⁶	70.3%	70.3%	70.3%	70.3%
(7) Total Private Sector Prime Construction Revenue (4) * (5) * (6)	\$12,058,714,194	\$12,058,714,194	\$12,058,714,194	\$12,058,714,194
(8) Utilization (3) / (7)	0.11%	1.27%	0.42%	0.81%

Notes and Sources: ¹The geographic market includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From Census of Minority and Woman-Owned Businesses, 1987. Growth rate of minority firms from 1982 to 1987 applied to derive figure for 1991.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the San Francisco Metropolitan Area.

⁴From Census of Construction Industries, 1987. Inflated to 1991 dollars using GNP data from the Economic Report of the President, February, 1992.

⁵Statewide figures derived from Census of Construction Industries, 1987.

**CALCULATION OF PRIVATE SECTOR UTILIZATION OF SUBCONTRACTORS
MINORITY AND WOMAN-OWNED CONSTRUCTION BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹**

	African Americans	Asians	Hispanics	Women
(1) Total Construction M/WBE Revenue ²	\$55,720,732	\$230,972,807	\$310,532,090	\$784,143,009
(2) Private Sector Subcontractor Share ³	28.4%	3.9%	36.4%	46.8%
(3) Private Sector Subcontractor Construction Construction M/WBE Revenue (1) * (2)	\$15,824,688	\$9,007,939	\$113,033,681	\$366,978,928
(4) Total Construction Revenue ⁴	\$20,691,460,506	\$20,691,460,506	\$20,691,460,506	\$20,691,460,506
(5) Private Sector Share ⁵	82.9%	82.9%	82.9%	82.9%
(6) Percent of Work Subcontracted ⁵	29.7%	29.7%	29.7%	29.7%
(7) Total Private Sector Subcontracted Construction Revenue (4) * (5) * (6)	\$5,094,506,566	\$5,094,506,566	\$5,094,506,566	\$5,094,506,566
(8) Utilization (3) / (7)	0.31%	0.18%	2.22%	7.20%

Notes and Sources: ¹The geographic market includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From Census of Minority and Woman-Owned Businesses, 1987. Growth rate of minority firms from 1982 to 1987 applied to derive figure for 1991.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the San Francisco Metropolitan Area.

⁴From Census of Construction Industries, 1987. Inflated to 1991 dollars using GNP data from the Economic Report of the President, February, 1992.

⁵Statewide figures derived from Census of Construction Industries, 1987.

CALCULATION OF UTILIZATION OF
MINORITY AND WOMAN-OWNED SERVICES BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹
1990

	African Americans	Asians	Hispanics	Women
(1) Total Services M/WBE Revenue ²	\$257,736,273	\$1,374,734,451	\$438,962,645	\$2,651,921,647
(2) Total Service Revenue ³	\$42,386,008,169	\$42,386,008,169	\$42,386,008,169	\$42,386,008,169
(3) Utilization (1) / (2)	0.61%	3.24%	1.04%	6.26%

Notes and Sources: ¹The geographic market includes the following counties, Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From Census of Minority and Woman-Owned Businesses, 1987. Growth rate of minority firms from 1982 to 1987 applied to derive figure for 1990.

³From Census of Service Industries, 1987. Inflated to 1990 dollars using GNP data from the Economic Report of the President, February, 1992.

**CALCULATION OF PRIVATE SECTOR UTILIZATION OF
MINORITY AND WOMAN-OWNED COMMODITIES BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹
1990**

	African Americans	Asians	Hispanics	Women
(1) Total Commodities M/WBE Revenue ²	\$15,330,723	\$637,648,989	\$122,473,684	\$1,981,838,200
(2) Private Sector Share ³	50.1%	73.8%	50.0%	44.9%
(3) Private Sector Commodities M/WBE Revenue (1) * (2)	\$7,680,692	\$470,584,954	\$61,236,842	\$889,845,352
(4) Total Commodities Revenue ⁴	\$108,674,915,218	\$108,674,915,218	\$108,674,915,218	\$108,674,915,218
(5) Private Sector Share ⁵	97.5%	97.5%	97.5%	97.5%
(6) Total Private Sector Commodities Revenue (4) * (5)	\$105,958,042,338	\$105,958,042,338	\$105,958,042,338	\$105,958,042,338
(7) Utilization (3) / (6)	0.01%	0.44%	0.06%	0.84%

Notes and Sources: ¹The geographic market includes the following counties, Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From *Census of Minority and Woman-Owned Businesses, 1987*. Growth rate of minority firms from 1982 to 1987 applied to derive figure for 1990.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the Bay Area.

⁴From *Census of Wholesale Trade, 1987*. Inflated to 1990 dollars using GNP data from the *Economic Report of the President*, February, 1992.

⁵Statewide figures derived from *Census of Wholesale Trade, 1987*.

**CALCULATION OF OVERALL PRIVATE SECTOR UTILIZATION OF
MINORITY- AND WOMAN-OWNED CONSTRUCTION BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹**
Alternate Method
1990

Line No.	Line-Item	African American (1)	Asian (2)	Hispanic (3)	Women (4)
(1)	Number of Businesses ²	205	489	591	631
(2)	Total Revenue ³ (\$000s)	\$34,793	\$145,098	\$177,686	\$452,057
(3)	Private Revenue as a Percent of Total ⁴	52.2%	70.2%	52.7%	59.2%
(4)	Estimated Total Revenue on Private Sector Projects [(2)*(3)] (\$000s)	\$18,173	\$101,823	\$93,601	\$267,839
(5)	Total Private Sector Construction Revenues ⁵ (\$000s)	\$18,025,223	\$18,025,223	\$18,025,223	\$18,025,223
(6)	Utilization [(4)/(5)]	0.10%	0.56%	0.52%	1.49%

Notes:

¹ Includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Joaquin, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

² Number of construction firms by ethnicity, race and gender in the SFRA geographic market counties as listed in the 1987 Census of Construction Industries.

³ Calculated using the 1987 census figure of total construction revenue in the San Francisco geographic market for each ethnic and gender category. This number was then inflated by 4.8% in 1988, 4.5% in 1989 and 5.4% in 1990 (based on the Consumer Price Index for housing shelter).

⁴ Based on NERA's survey of minority- and women-owned construction businesses in the San Francisco Metropolitan Area.

⁵ Calculated using the 1987 census figure of total construction revenue in the SFRA's geographic market (\$18.8 billion). This figure was then multiplied by the percent of total 1987 California construction revenue which was private (82.9 percent). Lastly, this number was then inflated by 4.8% in 1988, 4.5% in 1989 and 5.4% in 1990 (based on the Consumer Price Index for housing shelter).

Source: 1987 Census of Construction Industries,
1991 Economic Report of the President, pp.351.
NERA's survey of San Francisco Metropolitan Area M/WBE construction firms.

**CALCULATION OF UTILIZATION OF
MINORITY AND WOMAN-OWNED SERVICES BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹**
Alternate Method
1990

	African Americans	Asians	Hispanics	Women
(1) Number of Service M/WBEs ²	1,350	651	259	1,091
(2) Average Revenue ³	\$654,412	\$790,101	\$1,232,824	\$703,167
(3) Total Service M/WBE Revenue (1) * (2)	\$883,456,200	\$514,355,751	\$319,301,416	\$767,155,197
(4) Total Service Revenue ⁴	\$42,386,008,169	\$42,386,008,169	\$42,386,008,169	\$42,386,008,169
(5) Utilization (3) / (4)	2.08%	1.21%	0.75%	1.81%

Notes and Sources: ¹The geographic market includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From NERA directory of minority and woman-owned firms in the Bay Area.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the Bay Area.

⁴From *Census of Service Industries, 1987*. Inflated to 1990 dollars using GNP data from the *Economic Report of the President*, February, 1992.

Table 5.17

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**CALCULATION OF PRIVATE SECTOR UTILIZATION OF
MINORITY AND WOMAN-OWNED COMMODITIES BUSINESSES
IN THE SAN FRANCISCO REDEVELOPMENT AGENCY'S GEOGRAPHIC MARKET¹**
Alternate Method
1990

	African Americans	Asians	Hispanics	Women
(1) Number of Wholesale Trade M/WBEs ²	399	303	233	629
(2) Average Revenue ³	\$759,700	\$3,699,136	\$1,910,650	\$3,249,190
(3) Total Wholesale Trade M/WBE Revenue (1) * (2)	\$303,120,300	\$1,120,838,208	\$445,181,450	\$2,043,740,510
(4) Private Sector Share ³	50.1%	73.8%	50.0%	44.9%
(5) Private Sector Wholesale Trade M/WBE Revenue (3) * (4)	\$151,863,270	\$827,178,598	\$222,590,725	\$917,639,489
(6) Total Wholesale Trade Revenue ⁴	\$108,674,915,218	\$108,674,915,218	\$108,674,915,218	\$108,674,915,218
(7) Private Sector Share ⁵	97.5%	97.5%	97.5%	97.5%
(8) Total Private Sector Subcontracted Construction Revenue (6) * (7)	\$105,958,042,338	\$105,958,042,338	\$105,958,042,338	\$105,958,042,338
(10) Utilization (5) / (9)	0.14%	0.78%	0.21%	0.87%

Notes and Sources: ¹The geographic market includes the following counties: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.

²From NERA directory of minority and woman-owned firms in the Bay Area.

³Statistics compiled from NERA's survey of minority and woman-owned firms in the Bay Area.

⁴From Census of Wholesale Trade, 1987. Inflated to 1990 dollars using GNP data from the Economic Report of the President, February, 1992.

⁵Statewide figures derived from Census of Wholesale Trade, 1987.

Table 5.18

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PRIVATE UTILIZATION OF MINOR AND WOMAN - OWNED BUSINESSES
 NERA SURVEY OF PRIVATE CONTRACTORS¹
 IN THE SAN FRANCISCO REDEVELOPMENT AGENCY GEOGRAPHIC MARKET
 1982-1990

Line No.	Line-Item	Contracted Dollars by Race, Ethnicity and Gender			Number of Contracts by Race, Ethnicity and Gender Percent (4)	
				Amount (1)		
		Percent (2)	Percent (3)			
Prime Contractors						
(1)	Total	\$40,054,281	100.00%	13	100.00%	
(2)	Asian American	\$0	0.00%	0	0.00%	
(3)	African American	\$0	0.00%	0	0.00%	
(4)	Hispanic	\$0	0.00%	0	0.00%	
(5)	Native American/Aleut	\$0	0.00%	0	0.00%	
(6)	Unspecified MBE	\$0	0.00%	0	0.00%	
(7)	Total MBE	\$0	0.00%	0	0.00%	
(8)	Total WBE	\$0	0.00%	0	0.00%	
(9)	Total MBB and WBB ²	\$0	0.00%	0	0.00%	
Subcontractors						
(10)	Total	\$13,419,817	100.00%	64	100.00%	
(11)	Asian American	\$279,346	2.08%	2	3.13%	
(12)	African American	\$0	0.00%	0	0.00%	
(13)	Hispanic ³	\$0	0.00%	0	0.00%	
(14)	Native American/Aleut	\$0	0.00%	0	0.00%	
(15)	Unspecified MBE	\$25,074	0.19%	1	1.56%	
(16)	Total MBE	\$304,420	2.27%	3	4.69%	
(17)	Total WBE	\$321,154	0.24%	2	3.13%	
(18)	Total MBB and WBB	\$311,500	2.32%	4	6.25%	

¹ This does not include Rosendin Electric, a Hispanic-owned firm which is not considered to be a directly engaged business enterprise due to its size.

² (9) may be less than (7)+(8) and (18) may be less than (16)+(17) due to the presence of minority woman-owned business enterprises. Businesses owned by women who are ethnic minorities appear in both total MBE and total WBE!

³ 67 surveys regarding prime and subcontractor utilization were sent to developers, prime contractors, design architects and construction architects. This table is based upon the 8 returned surveys which had complete survey responses.

Sources:

NERA Master Minority- and Woman-Owned Business List.

NERA Survey of private contractors in the San Francisco Redevelopment Agency geographic market.

CHAPTER 6

ANECDOTAL EVIDENCE OF DISCRIMINATION AGAINST MINORITY AND WOMAN-OWNED BUSINESSES IN THE SFRA GEOGRAPHIC MARKET

The U.S. Supreme Court has found in several recent decisions that statistical evidence may not, by itself, be sufficient to establish that minorities or women have faced discrimination.¹ It is also necessary to identify the sources of discrimination that lead to these statistical disparities. It is generally necessary to examine anecdotal evidence of discrimination to assess the likelihood that particular statistical disparities

¹ Watson v. Fort Worth Bank & Trust, 487 U.S. 977 (1988) and Wards Cove Packing Company v. Antonio, 490 U.S. 642 (1989).

have arisen from particular discriminatory practices rather than from cultural differences or the long-lived effects of past discrimination.²

There are many possible ways in which M/WBEs may experience discrimination:

- Government contracting practices which create explicit or implicit barriers for M/WBEs;
- Disparate treatment of M/WBEs by government contract officers;
- Disparate treatment of M/WBEs by financial institutions;
- Disparate treatment of M/WBEs by prime contractors; and
- Prevailing social conditions regarding race, ethnicity and gender such as employment discrimination or redlining.

Anecdotal evidence concerning the extent, if any, to which particular racial, ethnic groups or women experience contemporary marketplace discrimination is helpful for at least two reasons. First, it helps to verify the statistical findings presented in the previous chapter. Second, it helps to identify the sources of and victims of discrimination and therefore provides a predicate for developing remedies that are narrowly tailored to the particular sources of discrimination and the particular race, ethnic groups and women that have been affected. Such narrow tailoring is required by the Court under Croson.³

² Anecdotal evidence for our purposes refers primarily to nonquantitative information based on a variety of sources including public testimony, personal interviews, surveys, lawsuits, news accounts and other studies. Quantitative evidence, however, is also relevant, e.g., the number of employment discrimination cases against construction firms.

³ See Chapter 1.

We have collected anecdotal evidence by:

- conducting five public hearings;⁴
- conducting over 20 personal interviews;
- surveying 5,000 M/WBE businesses in SFRA's geographic market;
- reviewing case filings and court decisions involving discrimination claims;
- reviewing the academic literature on discrimination;
- reviewing reports prepared by and for government agencies on discrimination; and
- reviewing newspapers for accounts of discrimination in SFRA's geographic market.

Table 6.1 summarizes the evidence collected by form and source. As shown by the table, we found evidence of virtually all forms of discrimination from several sources. Based on our review, we have concluded that there is a large body of evidence suggesting that any observed disparities between M/WBE utilization and availability is, in fact, largely explained by racial, ethnic and gender discrimination. We have found that most of the practices and conditions outlined above have occurred, or at least have been perceived to have occurred, within the San Francisco Metropolitan Area, which constitutes the bulk of SFRA's geographic market for procurement as we saw

⁴ Four public hearings were conducted for Alameda and Contra Costa Counties in May 1991. A public hearing was held for the San Francisco Redevelopment Agency in June 1991. Although the Ninth Circuit of Appeals in *Coral Construction Co. v. King County* limited the relevant evidence to minority firms which have done business in a specific political jurisdiction, the testimony presented at these hearings is relevant because the Counties' and SFRA's geographic market clearly overlap. Minority firms conduct business within this broader area.

in Chapter 4. The evidence to support this conclusion is described and evaluated below.

The first section of this chapter discusses the forms of discrimination we have considered and the potential sources we have examined. The second section presents an overview of discrimination in SFRA's geographic market. The third and fourth sections describe the evidence we collected through public hearings and personal interviews. The fifth section describes the results of a survey of M/WBEs in SFRA's geographic market regarding discrimination. The sixth section presents our review of court decisions. The seventh section summarizes the findings of other government and academic studies. A final section summarizes our conclusions.

A. Forms and Sources of Discrimination

We are interested in two forms of discrimination — disparate treatment and disparate impact. Disparate treatment involves intentional race or gender discrimination.⁵ An example of such treatment would be a man being hired instead of a more qualified woman. Disparate impact refers to practices which are "fair in form, but discriminatory in practice."⁶ Disparate treatment and disparate impact can take place at any point in the process of establishing and expanding a business.

The most blatant form of disparate treatment is outright discrimination against minorities and women. There will be some white men who simply do not like

⁵ See McDonnell Douglas Corp. v. Green 411 U.S. 792 (1973).

⁶ Griggs v. Duke Power Company 401 U.S. 424 (1971).

minorities and women, and will favor other white men over them.⁷ However, disparate treatment can also operate in a much more subtle manner. White men might not think of themselves as practicing discrimination even though they have stereotypes in mind for minorities and women. They might perceive minorities and women to be less qualified and competent and make discriminatory business decisions based upon these beliefs. They might not even think about minorities and women at all; when they think about their need for a subcontractor, they think solely of the same white male subcontractors they have always used.

Disparate impact occurs when members of a group are less likely to possess certain criteria that are necessary to get ahead but which are, in fact, not necessary for operating an efficient business. We consider some of these possible areas. Minorities and women may have less "social" capital — the business networks that play a significant role in determining the success of an individual or a company. It is often asserted that business contacts among family and friends are important.⁸ Since the family members of minorities are generally minorities, they would have fewer potential contacts if whites are generally better situated in the industry than minorities. Women would suffer a disadvantage if gender stereotypes made potential family connections less

⁷ Steven Askin, "Blood, Sweat and Steel," Black Enterprise, May, 1984 and Sylvia A. Law, "Girls Can't Be Plumbers' — Affirmative Action for Women in Construction: Beyond Goals and Quotas," Harvard Civil Rights-Civil Liberties Law Review, Winter 1989, detail some of the difficulties encountered by minorities and women, respectively.

⁸ See Frank Fratoe, "A Sociological Analysis of Minority Business," Review of Black Political Economy, Fall 1986, pp. 19-20.

useful for them than for men.⁹ Also, if friendships or acquaintances prove important in networking, and if white men choose, for various reasons (for example, discrimination), to associate more with other white men, then minorities and women would be disadvantaged. Finally, if minorities and women possess less financial capital than white men, then they will naturally encounter more problems in attempting to start a business. Also, because their companies are disproportionately small or new, which may be the result of past or present discrimination, they will be particularly subject to problems common to all small companies. Some of the problems might reflect actual limitations on the capabilities of small or new firms, but others are inaccurate or overly broad perceptions that might disproportionately injure M/WBEs.

For the purposes of this study, we have focused on the following possible sources of discrimination:

- Prime or general contractors
- Bonding or Surety Companies
- Banks and other financial institutions
- Labor Unions
- Insurance Companies
- Suppliers of materials
- Trade and professional associations
- County procurement policies and practices
- Other California state and local agencies

⁹ The problem of stereotyping suggests that the existence of positive role models might be helpful to potential minority and female business owners. The existence of role models can serve to suggest that entrepreneurship is both feasible and desirable. For African Americans, a shift away from the perception that African American-owned businesses are typified by "mom and pop" grocery stores and shoe-shine stands can encourage more better-educated African American into these areas. See Minority Business Development Agency, Research Division, "Minority Business Enterprise Today: Problems and Their Causes," pp. 12-13, for a discussion of these issues and a survey of the literature.

Several of these possible sources of impact — prime and general contracts, bonding and surety companies and labor unions — are relevant primarily for construction firms. We have also examined several aspects of procurement that could have a disparate impact on M/WBEs:

- Bonding requirements
- Insurance requirements
- Project size
- Cost of completing proposals
- Obtaining working capital
- Insufficient notification of bid deadlines

In order to investigate these sources, we have conducted mail surveys and interviews with Agency personnel and industry participants; we have also reviewed the social science and legal literature on discrimination. Interviews were conducted either in person or over the telephone with the Agency's affirmative action office. Interviews were also conducted in person or over the telephone with members of the M/WBE community.

B. Overview of Discrimination

Discrimination is an attitude that pervades many of the personal and business decisions made by people. Without laws and sanctions against discrimination, we would expect that individuals who discriminate in certain decisions will discriminate in other decisions as well. Companies that discriminate against minority employees are likely to discriminate against minority suppliers and minority customers. Men who sexually harass women are unlikely to confine themselves just to employees; we would expect them to harass other women who find themselves in a subordinate relationship.

Changing social norms together with legal sanctions against discrimination have almost certainly reduced instances of overt discrimination. Where 30 years ago a white man could openly say, "I won't hire Negroes," with impunity, today he risks the cost of a lawsuit and perhaps some social disapproval.

The incentives to be covert about discrimination together with the fact that discriminatory attitudes tend to invade many aspects of life suggests that instances of identified, overt discrimination represent only a small fraction of the instances of discrimination that take place. Consequently, in assessing whether there is discrimination against M/WBEs in San Francisco (or SFRA's geographic market in general), it is important to look beyond discrimination against M/WBEs alone. Evidence of discrimination in employment, housing and education, as well as the existence of racial tensions, are all very relevant.

Although California and SFRA's geographic market have a diverse ethnic population composition and enjoy the reputation as a progressive region, it is not free of racial prejudice. State and local agencies have, for example, continually found it necessary to monitor such prejudice and take corrective action.¹⁰ The State of California enacted a State Civil Rights Law¹¹ in 1958 which afforded protection against discrimination prior to the passage of the U.S. Civil Rights Act of 1964.¹²

¹⁰ California and the Bay Area continues to be an attractive place for many minority groups. Population forecasters now predict that minority groups will constitute a majority in the State by about the year 2000. This balance has already occurred in the Bay Area.

¹¹ Government Code Sections 12900, et seq.

¹² 42 U.S.C. Sections 2000.

Other State agencies, including the California Department of Fair Employment and Housing and the Fair Employment and Housing Commission, were also established to eliminate discrimination. The influence of these agencies has eroded, however, in recent years as the courts have limited their powers.¹³

These court actions do not necessarily reflect a lack of government concern. In fact, continued concern has also led numerous agencies to sponsor studies on discrimination over the past decade (prior to the Croson decision). For example, the San Francisco Human Rights Commission (SFHRC) sponsored a study of the impacts of the City and County of San Francisco's procurement requirements on M/WBEs in 1985.¹⁴ (The results of this study are discussed in section G of this chapter.) In 1988, the Oakland Office of Community Development and the Office of Economic Development and Employment sponsored a study to assess community credit needs focussing on small and minority businesses.¹⁵

¹³ Recently, the State Supreme Court stripped the Fair Employment and Housing Commission (FEHC) of its authority to grant either compensatory or punitive damages. In instances of harassment where no lost wages have occurred, the Commission essentially has no authority to grant relief (cease and desist, only). In Dyna-Med v. Fair Employment and Housing Commission (1987) 43 Cal. Rptr. 67, the California State Supreme Court held that the Fair Employment & Housing Act (FEHA) (Government Code Sections 12900 et seq.) did not authorize the FEHC to award punitive damages. In Peralta Community College District v. Fair Employment and Housing Commission (1990) 276 Cal. Rptr. 114, the Court held that the FEHA did not authorize the FEHC to award compensatory damages to employment discrimination victims.

¹⁴ Aileen Hernandez, "Between a Rock . . . and a Hard Place," September 30, 1985. Ms. Hernandez studied the impacts of bonding, insurance and other fee-related requirements of departments and agencies of the City and County of San Francisco on MBEs, WBEs and small businesses.

¹⁵ David Rosen, "Community Credit Needs Assessment City of Oakland," prepared for the Office of Community Development and the Office of Economic Development and Employment, February 1, 1989.

There is other evidence of continued concern regarding race discrimination in areas apart from M/WBE treatment. Racial tensions and redlining continue to plague the region. During 1990 and 1991, a string of hate crimes against racial and religious minorities, for example, prompted the California Fair Employment and Housing Commission to hold public hearings on race relations in SFRA's geographic market. Racial tension has also recently been an issue in Alameda, a city in Alameda County¹⁶ with a population of approximately 77,000. In addition, the 1991 San Francisco Mayor's race has been blemished by allegations of racial bias by both leading candidates.

Racial issues have been raised regarding economic development issues as well. For example, African American community leaders have criticized The San Francisco Redevelopment Agency for failing to fund projects designed to encourage African American businesses.¹⁷

The role of bank and real estate redlining in thwarting economic development continues to be a source of concern in Oakland as well. A recent Oakland Tribune article by Craig Staats listed racism as an important reason for Oakland's slow economic development relative to other communities in SFRA's geographic market. In this article he observed, "Racism rears its head, too, in some

¹⁶ For example, see "Blast at Home of Alameda Police Critic," San Francisco Chronicle, November 22, 1991, page A20.

¹⁷ Dan Levy, "Blacks Assail S.F. Redevelopment Agency," San Francisco Chronicle, May 16, 1991, page A19.

economic decisions: for example whether a loan is approved, whether a business locates in the city, whether someone decides to shop here. Among outsiders, Oakland — 43 percent African American — is often perceived as "a black city" and that makes some whites uneasy.¹⁸ Staats quotes an Oakland architect to support this contention, "There's still a fair amount of racial prejudice. When people come downtown, they see a fair amount of African American faces and it scares them." Staats also quotes Oakland's City Manager, Henry Gardner as observing that "Some people are more comfortable in places that are predominantly white." The Oakland Community Development office study also found that redlining by financial and real estate institutions were obstacles to economic development.

Additional evidence regarding discrimination by financial institutions was developed by the San Francisco Chronicle.¹⁹ According to African American loan data from the ten largest leading institutions supplied to the Chronicle, loan application denial rates were 5 percent higher for Hispanics and 56 percent higher for African American than for whites. While these comparisons do not fully account for other factors such as income and credit ratings, they suggest disparate treatment.²⁰

Concerned minority groups have also sponsored their own studies to document discrimination. For example, the Northern California Minority and Women

¹⁸ Craig Staats, "Uneasy Street," Oakland Tribune, August 4, 1991, pp. A1 and A14.

¹⁹ Kenneth Howe, "Startling Racial Trends in Home Loan Study," San Francisco Chronicle, December 2, 1991, page B-1.

²⁰ No statistical tests were presented to address whether the observed denial rate differences were statistically different.

Dump Truck Brokers and Dump Truck Owner/Operators and Freight Carriers Network commissioned a survey of the California Department of Transportation (CalTrans) prime construction contracts for calendar year 1990 in northern California.²¹ The study indicated that CalTrans had awarded over \$69 million to certified M/WBEs as subcontractors, representing 7 percent of contract awards. Martin Dinkins, a private consultant who conducted the study, was concerned that white woman-owned businesses had a disproportionate share of these M/WBE contracts noting that woman-owned firms accounted for 583 of 964 M/WBE subcontracts or 60 percent. Also, of the woman-owned firms, 482 were white woman-owned firms. Thus, a full 50 percent of the M/WBE subcontracts went to white women. On a contract dollar basis, white woman-owned firms accounted for 33 percent of M/WBE subcontractor dollars while minority woman-owned firms accounted for only 7 percent.

C. Evidence from Public Hearings and Personal Interviews

As part of our efforts to collect anecdotal evidence, we conducted five public hearings — one in San Francisco, and four in Alameda and Contra Costa Counties.²² Testimony was presented in person or in writing by 61 witnesses. Table 6.2 summarizes the race, ethnicity and gender of those who testified. African Americans accounted for 42 witnesses or 69 percent of the witnesses, Hispanics accounted for the

²¹ Martin Dinkins, "Market Place Survey," prepared for the Northern California Minority and Women Dump Truck Brokers and Dump Truck Owner/Operators and Freight Carriers Network, 1991.

²² The Alameda and Contra Costa hearings were conducted on behalf of the county governments. The San Francisco hearing was conducted on behalf of the San Francisco Redevelopment Agency.

next largest group — 8 or 13 percent. There were 7 Asian witnesses (11 percent).²³ Among the remaining, 2 were white women and 2 were white men. Among the minority witnesses, 6 were women. Thus, 8, or 13 percent, of the witnesses were women.

These witnesses identified a number of the forms and sources of discrimination described above. Witnesses also pointed to procurement practices as a source of discrimination. A detailed description of the evidence collected at the hearings follows.

1. Bonding

Bonding problems were mentioned by 20 percent of the witnesses. These problems demonstrate both disparate treatment and disparate impact. Many witnesses complained that minority firms were discriminated against by either bonding agents or underwriters. This discrimination was manifest by higher bond rates than comparable white firms and by higher rejection rates than similar majority firms.

Examples:

An African American woman who is president of an Oakland-based insurance company specializing in commercial insurance for bonding, stated as a surety writer that discrimination exists against African Americans. She stated, "If I have an application from a white contractor and an African American contractor and I submit both applications at the same time and the applicants are equally qualified, I receive my response back on the white contractor first." She stated that this time delay actually constitutes a denial. She also reported that in terms of payment for bonds, minorities are usually paying 2 points higher than their majority contractors.

²³ Three of the seven Asian witnesses were Asian Indians.

Another African American surety agent interviewed stated that there were only a few bonding surety underwriters in the San Francisco area, so contractors have a limited amount of sources to sureties. This means that all the contractors and surety writers know each other. Majority contractors doing a majority of the work can say "Don't write that contract for that African American contractor or do not increase his credit line" because, at that point, he becomes a competitor.

An African American electrical contractor noted, "Bonding is a problem for minority contractors. Many times, I am a subcontractor because I cannot get the bonding to be the prime contractor. And I really question why bonding is so necessary. Usually on any job, a 10 percent retention is held back at each phase of the project to ensure completion. You receive progress payments only as work is completed, the work is inspected and signed-off on. If you have not performed the work, then you are not paid. In instances where a contractor fails to perform, payments are withheld and any retention can usually finish a partially completed job. Additionally, public entities usually pay late; they keep the money until the end of the project anyway."

Another minority electrical contractor testified that he had submitted all the necessary information for a bond of approximately \$3 million. He had received a letter from the bonding company that his company statement showed that it could be bonded between \$2 and \$3 million. Subsequently, he scheduled a meeting with the bonding company. At this meeting, he was informed that the bonding company could only allow him a bond of \$250,000.

A CEO of a construction firm specializing in general engineering and general building and Director of the Northern California Chapter for the Minority Contractors Association stated, "We have been subcontractors on jobs where we have performed three quarters of the work on the project. We had to be subcontractors because we were unable to get a bond. I have been delayed beyond the deadline in obtaining bonds and I have been required to put up 100 percent collateralization for the bond."

One of the three Asian Indian witnesses complained about discriminatory treatment by a bank.

This witness, a structural engineer operating his own consulting firm, recounted his experience with majority banks. When he started his firm he established a secured credit line at a majority bank. Later, he contacted an Asian Indian woman loan officer at another majority bank and discovered he could obtain an unsecured credit line. He consequently switched banks and obtained such a credit line. He maintained that credit line for several years under the same loan officer. He continued his relationship with this bank when a new loan officer — also an Asian Indian woman — took over, but when a white woman officer took over, his credit line was not renewed. This action was taken although he had no defaults. He was, in fact, immediately able to obtain a credit line at a minority bank²⁴.

There was, however, less evidence of bond discrimination from the testimony of Hispanic witnesses. In fact, a spokesman for the Hispanic Chamber of Commerce indicated that he was unaware of any complaints by Hispanic firms regarding bonding or financing discrimination.

2. Financing

Witnesses' complaints regarding banks and other lending institutions were similar to the bonding complaints, although not as frequent. Only about 10 percent of the witnesses specifically identified financial institutions apart from bonding firms. These witnesses all indicated that their minority status limits their access to funding.

The President of an African American-owned engineering firm which has been in business for five years testified, "The firm was turned down by at least 10 banks for financing and some banks would not even speak to them."

An African American electrical contractor specializing in commercial industrial electrical work testified: "The bank which I dealt with for four to five years and after pumping a million dollars into this bank

²⁴ In a follow-up interview, Mr. Sahai identified the minority bank as the First Indo-American Bank, located in San Francisco.

offered him only a \$20,000 line of credit. He stated white companies, after one to three years, can get lines of credit for one-half million dollars."

The director of a community corporation which makes loans to minority businesses if they can show that they have been rejected by two or more commercial banks observed that most of his borrowers have average credit, indicating that race and location has something to do with commercial bank decisions. He also noted, however, that many applicants even have difficulty qualifying for loans with his corporation.

3. Unions

A number of witnesses identified historic union discrimination as a major limitation to the formation and success of minority firms.

The Director of the Richmond Community Outreach Program testified that individuals seeking to access a certain construction industry craft must first excel at a standardized aptitude test. Since women and minorities' experiences preclude exposure to such test concepts, they generally do not score as well as their white male counterparts. The tests, then, effectually function as a screening and weeding-out device.

The President and proprietor of an African American-owned surveying and mapping firm described a discriminatory act by union members. After he was awarded a surveying project he was pulled off the job because the union surveyors protested the fact that he had gotten the job.

The CEO for a minority construction firm specializing in general engineering and general building who was interviewed, stated that he had white workers come up and tell him "I just don't work for black people."

An African American electrician stated that after being trained in the military, he was denied union membership many times. At that time, only three African Americans had acquired journey plates in the local electricians union for Alameda County.

An African American welding contractor stated that the only way a "Black kid" can get into an apprenticeship program is to have someone sponsor him. While being in the trades 26 years, he had only been able to participate on two union projects and sponsor two African American apprentices.

An African American woman with the Contra Costa County Black Chamber of Commerce who is responsible for the business development and procurement program which focuses on woman-owned and minority-owned small businesses in Contra Costa County stated that based on the complaints that she had heard from minority and woman-owned business owners, the worst cases of discrimination occur in construction, public works and architectural services.

An African American CEO of an engineering firm who was interviewed stated that while his design had been selected as the best for the project bid, he was not awarded the contract. The public entity sought a large white firm to implement the design.

4. Business Networks

Many witnesses asserted that business networks — so-called "old boy" networks — served as serious obstacles to obtaining contracts. This was the most frequently cited problem after bonding. Approximately 16 percent of the witnesses mentioned business networks. Several witnesses complained that because minority businesses are typically limited to subcontracts, they must rely on the low-bid majority prime contractors to hire them. These witnesses claimed that good faith efforts by majority primes to hire minority subcontractors were ineffective. Prime contractors prefer to use firms with which they are already familiar.

A white woman architect stated that her woman-owned architectural firm was put at a disadvantage because of the requirement of utilizing minority subcontractors. She stated that a prime seeks to hire friends with whom it is familiar. She noted that her firm typically worked with a specific team of consultants. She added that the firm had only

worked with two minority firms once or twice because of affirmative action requirements. She admitted that when a proposal was submitted on other projects, not requiring MBE participation, the firm went back to its same nonminority team.

An African American general contractor interviewed stated, "In many instances I find that the 'good ole boy' network can work in many ways. In a recent project, which I had bid on, I found out that the prime contractor who was low bidder had worked with the architect for the last year. This prime was very familiar with the architect and what would be required for the project, yet the architect wouldn't speak to any other bidders. So again it's a social thing."

The president of an African American-owned engineering firm who had a recent project with Contra Costa County stated that the prime contractor who got the bid subcontracted for his firm to perform 20 percent of the contract value. After the Croson ruling, the prime wanted them to perform more than 20 percent of the actual work at less than 20 percent of the cost. They said no. As a consequence, the prime disqualified their firm.

The president of a consulting firm and officer of The Association of Asian Indians stated that prior to the Croson ruling, he had been negotiating with several large companies to perform as subconsultants on projects and they were very close to negotiating an agreement. The companies cut off negotiations because there were no longer requirements of minority participation.

5. Suppliers

Discrimination by suppliers was also identified by some witnesses as an obstacle.

A CEO for a minority-owned construction firm specializing in general engineering and general building and director for the California Chapter for the Minority Contractors Association stated, "On one job I was given the opportunity to work on a time and material basis. When I pulled out my quotes from suppliers and compared them to the primes quotes from the same supplier, the supplier quoted the white prime 10 percent to 15 percent lower prices than mine."

A woman supplier who was interviewed stated that she was denied membership into an all-male wholesale buyers association. Also, some of the wholesale suppliers refused to sell to her because she was not a member of the group.

An African American trucker complained that he paid much more for tires than majority firms.

D. Evidence from Other Hearings in SFRA's Geographic Market

The San Francisco Board of Supervisors has held several hearings, and written and oral testimonies have been received from many MBEs who complained that discriminatory practices excluded them from prime contracts with the City. Some of that testimony included facts indicating that MBEs were denied prime contracts despite being the lowest bidder. In other cases, qualified minority-owned firms were told that they were not qualified, but were awarded contracts when an outside independent evaluator reviewed the proposals. Evidence of discrimination reported by City staff included the testimony of the Contract Compliance Liaison who testified that minorities were not welcome at the Port of San Francisco and attitudes existed that minorities were incompetent and could not perform the highly technical work that the Port requires. There was also a general problem of harassment of minority contractors by the staff of the Port of San Francisco. Additionally, MBEs complained that white prime contractors would list them on their bid proposals, but then replace them with white subcontractors upon being awarded the contract. Another MBE testified that he

called a white broker concerning construction work on a City project and was told that "we don't need any minorities."²⁵

Consultants to the City of San Jose in the course of completing a M/WBE Disparity Study in 1990 conducted over 200 interviews of minority and woman-owned businesses.²⁶ These interviews produced evidence similar to that collected in the Alameda, Contra Costa and San Francisco hearings. These interviews demonstrated a perception on the part of minority and woman-owned firms that discrimination remains widespread in both the public and private sectors. Chief among the specific forms of discrimination identified were discriminating practices of prime contractors and bonding agents or underwriters. The discriminating practices of prime contractors generally related to efforts on the part of primes to avoid using minority and woman-owned firms even if good faith hiring efforts were required by government agencies. These efforts included:

- making bid changes after contract award;
- substituting majority subcontractors after project award; .
- bid shopping;
- providing insufficient lead time for bidding; and
- listing minority firms without their acquiescence.

²⁵ AGC v. San Francisco, Supra at 1450-1452.

²⁶ BPA Economics, Mason Tillman Associates, and Boasberg and Norton, "MBE/WBE Disparity Study for the City of San Jose," Final Report, 1990, Volume II. San Jose also conducted public hearings. Witnesses at those hearings gave testimony recounting treatment similar to that described at the SFRA, Alameda and Contra Costa hearings.

The City's consultants found evidence to support these allegations by reviewing contract records. For example, in 14 of 97 contracts reviewed, the minority firms listed were not actually used and were unaware that they had been listed.

Bonding requirements and limited access to bonding were commonly cited as a serious obstacle by firms interviewed. Limited access, however, appeared more the result of firm size than race or gender discrimination. Small firms, regardless of race or gender, simply could not qualify for sufficient bonding.

E. Evidence From M/WBE Survey

NERA surveyed over 5,000 M/WBEs by mail with three-page questionnaires. The questions were tailored to construction, personal and professional services, and commodity purchasing. (Copies of the questionnaires are attached in the Appendix.) The mailing list was developed from our master certification list (see Chapter 3).

Overall, 540 M/WBEs or 11 percent, responded to our survey, including 280 WBEs, 141 Asian-owned firms, 127 African American-owned firms, 97 Hispanic firms and 16 Native American firms.²⁷ (See Table 6.3) Construction firms made up 18 percent of the sample (97 out of 540), while personal and professional services firms were 60 percent (326) and commodity purchasers were 22 percent (117). Across the three surveys (construction, personal and professional services and commodity purchasers), 88.9 percent of the M/WBE respondents answered the question on discrimination. Of these, 50.2 percent indicated that they had been discriminated

²⁷ There were also 18 minority firms of unspecified race or ethnicity.

against in the last five years; the corresponding figures for MBEs and WBEs are 57.0 percent and 44.6 percent, respectively. (See Table 6.4) African Americans indicate by far the highest rate of discrimination, with 80.5 percent (95 of 118), while 50.8 percent of Asians and 34.5 percent of Hispanics answer that they have encountered discrimination. The incidence of discrimination was highest among personal/professional services firms, where 62.9 percent of the MBEs (122 out of 194) and 47.8 percent of the WBEs (77 out of 161) reported discrimination. Purchasing firms reported the second highest frequency of discrimination, 51.3 percent for MBEs (40 of 78) and 41.4 percent for WBEs (24 of 58), while construction firms reported 46.2 percent for MBEs (30 of 65) and 34.4 percent for WBEs (11 of 32).

When asked whether firms used for projects with M/WBE requirements were also used for projects without M/WBE requirements, 62.5 percent of minority respondents answered "never" and another 22.9 percent answered "not very frequently"; 55.8 percent of WBE respondents answered "never" and 23.1 percent "not very frequently." African Americans answered "never" 80.4 percent of the time, compared to 58.3 percent for Asians and 46.8 percent for Hispanics. (See Table 6.5)

A more detailed discussion of the survey results follows. In general, the sources and forms of discrimination identified through the surveys correspond to those identified through the public hearings.

1. Construction Survey

A total of 97 firms responded to the construction survey. The race/gender breakdown is presented in Table 6.6. Nearly 42.3 percent of the respondents were Hispanic, about 19.6 percent were Asian, 11.3 percent were African American, and 35.1 percent were women. Twenty-four responding firms did not report their race.

As is the case for our entire survey, African Americans in the construction industry reported the greatest occurrence of discrimination. (See Table 6.7) Nine of 10 African Americans reported that they have experienced discrimination in the past five years; this percentage dwarfs those for Hispanics (14 of 36, or 39 percent), Asians (6 of 18, or 33 percent), or women (11 of 32, or 34 percent). Similarly, 9 of 10 African Americans answer that they are used either "never" or "not very frequently" when asked if they are also used on projects without M/WBE requirements when they are used on projects with M/WBE requirements. In this case, however, the Asian percentage is also quite high (12 out of 15, or 80 percent) as is the Hispanic figure (21 out of 34, or 62 percent) and the WBE figure (20 of 30, or 66.7 percent).

The same pattern holds true for our question on what bid requirements constitute the worst impediments. The survey question asked firms to rate bid requirements on a scale of 2 through 5,²⁸ with 2 meaning that the requirement helped them to get work, 3 that it had no effect, 4 that it made it harder to get work and 5 that the requirement made it impossible to get work. Thus, a score greater

²⁸ Firms could also rate the requirement 1, which means that they had no experience with it. These responses were ignored for the following calculations.

than 3 indicates that a requirement is perceived as an obstacle. The greater the score the more serious the obstacle. Responses for African Americans are consistently higher than for the other racial or ethnic groups or for women; of the five average ratings greater than four, four are for African Americans (see table 6.8.)

Bonding — Of the five bid requirements that were rated the worst impediments by respondees, four are directly related to bonding. Payment bonds were rated the highest (3.81), followed by performance bonds (3.78), bid bonds (3.75), and the length of notification for bonding requirements (3.75). (See Table 6.8) Although only 2 of 33 MBEs and 2 of 13 WBEs answered that they were "always" discriminated against by bonding companies and only 5 MBEs and 0 WBEs answered that they are "frequently" discriminated against, a significant number of respondents reported that they had been discriminated against at least some of the time (see Table 6.9). Overall, 16 of 33 MBEs and 4 of 13 women said they were discriminated against at least some of the time.²⁹

Obtaining Working Capital — Respondents to our survey rated obtaining working capital as the second largest impediment after bonding. Of the 48 firms who answered, 21 (43.8 percent) claimed that they had been discriminated against at least sometimes in applying for commercial loans and 13 (27.1 percent) claimed that they were frequently or always encountered discrimination. African Americans reported the

²⁹ Here as well, the African Americans report more discrimination than other ethnic groups, none of the five African American respondents said they were never discriminated against. Moreover, African American respondents scored each of the three types of bonds as a larger impediment to obtaining work than other M/WBEs.

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highest frequency of discrimination, with 5 of 6 reporting that they are discriminated against and 4 of the 6 reporting discrimination either frequently or always. The comparable number reporting discrimination for Asians is 2 of 10, 9 of 21 for Hispanics, 1 of 7 for respondents of other ethnicities and 5 of 15 for women.

Business Networks — Out of the 41 construction firms that responded, 18 (43.9 percent) replied that they had been discriminated against while bidding as a subcontractor and 15 of 33 respondents said they were discriminated against while working as a subcontractor. Another possible manifestation of contractor discrimination would be if firms that were used on projects with M/WBE requirements were not used on projects without M/WBE requirements. When asked this question, over 70 percent of M/WBE respondents (55 of 78) replied that they were used "never" or "not very frequently." This high rate of perceived discrimination holds across all race and ethnic groups — 9 of 10 African Americans, 12 of 15 Asians, 21 of 34 Hispanics, 3 of 3 Native Americans, and 20 of 30 women.

Unions — There is little evidence from the survey of discrimination by unions across all race and gender groups. Only 5 of 31 respondents claimed discrimination in hiring workers from union halls. Fifty percent of the African American respondents (2 of 4), however, stated they had faced discrimination.

Suppliers — There is limited evidence of discrimination by suppliers from our survey. Thirteen of 45 M/WBEs claimed discrimination (28.9 percent). Consistent with other survey findings, African Americans reported the greatest degree of

discrimination (5 of 6) while the other M/WBEs reported fairly little — 8 of 39 respondents.

Insurance Requirements — Insurance was reported as a problem by 24.4 percent of the survey respondents — 11 of 45 reported discrimination in applying for commercial insurance and 15 of 88 respondents said insurance requirements were an impediment; 14 stated that the insurance requirements helped them attain an award; while 59 said that they had no effect.

Dealing with Governmental Agencies — The length of notification for bid deadlines was rated a smaller impediment than some others. Again, using the two to five ranking scheme where a score of 2 indicates a bid requirement which helps minority firms while a score above 3 indicates that the requirement hurts, bid deadlines scored 3.40. African Americans, however, find it to be a significant impediment (average rating of 3.90). Eight of 29 respondents reported discrimination in bidding on SFRA projects, while 7 of 29 claimed to have experienced discrimination in working on SFRA projects. In addition, 9 of 31 respondents reported discrimination in bidding on Alameda County projects, while 7 of 28 reported discrimination related to working on Alameda County projects. Seven of 28 respondents reported discrimination in bidding on Contra Costa County projects, while 7 of 27 stated that they experienced discrimination in working on Contra Costa County projects. There is also limited evidence of discrimination in the distribution of Requests for Bids (RFB). Overall, 24 of 44 reported at least some perceived discrimination in their attempts to receive RFBs

— 5 of 5 African American firms, 4 of 8 Asian firms, 8 of 21 Hispanic firms and 7 of 14 WBEs.

2. Personal/Professional Services Survey

Three hundred twenty-six minority and woman-owned personal and professional service firms responded to our survey. (Thirteen respondents did not identify their minority and/or woman-owned status. See Table 6.10.) The respondents to our personal/professional services survey were asked to rate various bid requirements and state whether these requirements represent an impediment to obtaining government work. Using the same rating scheme described above, the minority respondents judged almost every requirement to be an impediment with average scores ranging from 3.67 for insurance requirements to 3.34 for previous dealings with government entities. This survey is differentiated from our construction survey by the fact that there is very little difference in ratings between racial and ethnic groups or between MBEs and WBEs except for obtaining working capital.

Obtaining Working Capital — Obtaining working capital is the only bid requirement in this survey where there is a large difference between racial and ethnic groups. As was the case in construction, African Americans consider this a larger impediment than other racial and ethnic groups and WBEs. When asked if they had been discriminated against in applying for a commercial loan, 38 of 55 African Americans replied that they had, with 17 claiming that they faced discrimination. Other MBEs and WBEs also report discrimination — 15 of 36 Asian firms, 4 of 13 Hispanic

firms, and 32 of 71 WBEs (14 of these WBEs claimed that they always encounter discrimination).

Insurance — Despite the fact that insurance requirements were rated as the worst bid impediment, a comparatively small percentage of firms claimed to have been discriminated against when applying for insurance. Only 41 of 142 reported that they have ever been discriminated against when applying for insurance, with African Americans reporting the greatest incidence, 23 of 51.

Business Networks — Each of the four ways in which discrimination by business networks could result was cited by between 35 percent and 47 percent of our respondents. Forty-eight of 109 M/WBEs claimed discrimination when bidding as a subcontractor, with African Americans reporting the highest rate (25 of 40, or 62.5 percent). Asian firms also reported over a 50 percent frequency of discrimination (20 of 36). Similar results are obtained when the firms responded to the question of discrimination when working as a subcontractor. Overall, 43 of 99 reported discrimination; 25 of the 43 are African American-owned and 20 of the 43 are woman-owned.³⁰ When asked about possible discrimination in getting quotes from subcontractors, 38 of 109 replied that they had experienced some discrimination, with large percentages of all racial and gender groups reporting discrimination except Hispanics, where only 1 of 9 did. The same pattern prevailed with discrimination in receiving quotes from suppliers, where the overall rate was 43 of 108, or 41 percent.

³⁰ Seven of the 43 firms reporting are owned by African American women.

Once again, all races reported a 40 to 50 percent discrimination rate except for Hispanics, for whom only 1 of 10 had experienced discrimination.

Dealing with Governmental Agencies — Dealings with governmental agencies overwhelmingly represents the area where M/WBEs believe they have been discriminated against the most. Over 58 percent (70 of 120) of M/WBEs report bidding discrimination as a prime contractor; rates of discrimination are particularly high for African Americans (34 of 45, with 11 responding that they are always discriminated against) and Asians (26 of 38). Nearly 58 percent (75 of 130) claimed to have been discriminated against during the process of meeting prequalification requirements, where once again African Americans and Asians (31 of 47 and 26 of 40, respectively) report the highest incidence of discrimination, although women and Hispanics each report a 50 percent rate of discrimination. The same pattern also holds for the process of distributing Requests for Proposals (RFPs) (70 of 128), with African Americans and Asians once again reporting the highest discrimination rates. In the SFRA RFQ/RFP process, 42 percent of the M/WBE respondents reported discrimination. In addition, 43.5 percent of the respondents reported discrimination in the Alameda bidding process, once again, the high response rate is driven by African Americans and Asians. Furthermore, 32.6 percent of the respondents reported discrimination in the Contra Costa bidding process, with perceived discrimination more frequently reported by African Americans and Asians.

3. Purchasing Survey

One hundred seventeen minority and woman-owned firms responded to our survey (2 additional firms did not identify their minority and/or woman-ownership status). A race/gender breakdown of the respondents is presented in Table 6.11.

The survey results indicate that the bid requirements rated as the worst impediments to the bidding process are length of notification for both procurement opportunities and purchase order requirements, followed by obtaining working capital and distributorship requirements. There are differences across racial and gender classifications. As was the case with the other surveys, African Americans reported more difficulty with credit requirements and obtaining working capital than other MBEs or WBEs, and the WBE respondents, on average, did not consider any of the requirements to be major impediments except for the two inadequate length of notification requirements mentioned previously.

Obtaining Working Capital — Obtaining working capital was considered an impediment to bidding by the four MBE groups, but more so for African Americans and Hispanics. When asked if they had been discriminated against in applying for commercial loans, 21 of 56 replied that they had. As in the past, African Americans cite the most discrimination (12 of 18) while Hispanics (3 of 13) and women (8 of 30) reported relatively low rates of discrimination.

Purchasing Insurance — Insurance is considered a smaller impediment to bidding than others. The average rating of insurance as a bid impediment is the

lowest of any bid requirement.³¹ Twenty-one of 80 respondents said they were an impediment. Similarly, respondents reported a relatively small amount of discrimination in purchasing commercial insurance; 12 of 62 respondents maintained that they had encountered discrimination.

Business Networks — There is limited evidence of discrimination here. Although the respondents claimed little discrimination in receiving quotes from manufacturers (17 of 49 or 35 percent), 22 of 47 answered that they had been discriminated against in receiving volume discounts from manufacturers, with African Americans and Asians reporting the most discrimination. Similarly, 22 of 53 M/WBEs maintained that they had been discriminated against in receiving payment for goods sold; not surprisingly, African Americans (8 of 15) claimed the highest frequency of discrimination.

Dealing with Governmental Agencies — African Americans, Asians and women reported some difficulty in getting on the Alameda County vendors list and in receiving information on goods to be procured. Only 2 of the 11 Hispanic-owned firms, however, believed that they have faced discrimination here. An extremely high percentage of the women reported discrimination is "always" practiced against them; of the 10 (out of 22) WBEs who claimed discrimination in getting on the vendor list, 8 said they always faced discrimination. Similarly, 8 of the 12 who claimed

³¹ Our sole Native American respondent reported that he had always faced discrimination in this area.

discrimination in receiving information on goods to be procured said they always faced discrimination.

African Americans, Asians and women reported some difficulty in getting on the Contra Costa County vendors list and in receiving information on goods to be procured. However, only 1 Hispanic-owned firm claimed to have faced discrimination here. An extremely high percentage of the women reported discrimination is "always" practiced against them; of the 9 out of 20 WBEs who claimed discrimination in getting on the vendor list, 6 said they always encountered discrimination. Similarly, 8 of the 12 M/WBEs who claimed discrimination in receiving information on goods to be procured said they always encountered discrimination.

F. Evidence from Cases Filed and Decided

Several federal court cases regarding discrimination in SFRA's geographic market have been decided since 1976 and are summarized in this section. In Alameda County, the Federal Court upheld the Oakland Unified School District's Affirmative Action Plan applicable to general contractors who submitted bids for school construction contracts.³² The Court found that the school district was not attempting to remedy societal discrimination, but instead the "effect of past discrimination in one particular industry . . . school construction contracts."³³ The Court relied on affidavits and statistics which showed that "from 1947 until adoption of the Affirmative

³² Schmidt v. Oakland Unified School District, 662 F.2d 550 9th Cir. (1981).

³³ Id. at 558.

Action Plan in 1975, the School Board awarded 135 construction contracts for amounts of at least \$100,000.00 each. Of the 135, only one was awarded to a minority contractor . . ."³⁴

M/WBEs suffer a number of adverse effects as a result of their history of employment discrimination. To operate a successful business, an individual must have considerable expertise in the industry in which the business is operating, as well as expertise in managing employees and finances. The obvious way to obtain this expertise is to obtain relevant work experience before starting a business.

We also found a number of cases which document a history of discrimination in employment discrimination in the construction trades in SFRA's geographic market. These cases are interesting insofar as they show the discriminatory climate that has existed for a number of years in the construction trades. In Ellis v. Naval Air Rework Facility,³⁵ the Court, in resolving several tangential procedural issues, described a consent decree between 2,500 minority plaintiffs and their employers — the Naval Air Rework Facility and the Naval Air Station in Alameda. The Court described the decree as "providing not only relief from harsh discriminatory working rules, but also providing individual relief to certain class members . . . for past

³⁴ *Id.* at 559.

³⁵ 87 F.R.D. 15 (N.D. Cal 1980) affirmed without opp., 661 F.2d 939 (9th Cir. 1981).

wrongs.³⁶ This consent decree helps establish evidence of discrimination in the construction industry as a whole.

In another case in SFRA's geographic market, U.S. v. Local Union No. 3, International Union of Operating Engineers,³⁷ the Court found that the Union had committed violations of Title VII by discriminating in the admission of minorities into apprenticeship programs, other training positions, as well as by placing minorities on various referrals lists for journeymen employment.³⁸ Although the Court found the general population of Northern California at the time to have a racial and ethnic composition as follows: 7 percent African American, 15.5 percent Hispanic, and 26.2 percent total minority, Local Union No. 3 had only 0.8 percent African American members and 4.4 percent Hispanic members at that time. Of 385 total apprentices, only 51, or 13.2 percent, were minorities. The Court also stated the exclusive hiring hall and job referral system played a significant role in perpetuating what the Court concluded were discriminatory employment practices of the Union.³⁹

A local construction discrimination case involving women is Eldredge v. Carpenters 46 Northern California Counties Joint Apprenticeship and Training Committee.⁴⁰ In Eldredge, the Ninth Circuit Court concluded that the

³⁶ *Id.* at 17.

³⁷ 4 Empl. Prac. Dec. (CCH) 6500 (N.D. Cal. 1972).

³⁸ *Id.* at 6501.

³⁹ *Id.*

⁴⁰ 833 F.2d 1334 (9th Cir. 1987), cert. denied 487 U.S. 1210, 108 S.Ct. 2857 (1980).

Apprenticeship and Training Committee violated Title VII by admitting an inadequate number of women into the apprenticeship program. Although the union covers all of Northern California, the evidence of its discriminatory practices is indicative of construction union discrimination in SFRA geographic market counties. The evidence submitted by the plaintiff demonstrated a substantial disparity between the sexes in apprenticeship levels. Aggregated over a nine-year period, from 1976 through 1984, the admission rate of women as a percentage of woman applicants was substantially lower than men's admission rate.

In Jackson v. Glaziers and Glassworkers Local Union No. 718 et al., which arose at SFRA's Embarcadero Center Project, Walter Jackson, an African American glazier, claimed that the union discriminated against African Americans by limiting entry.⁴¹ A consent decree was issued in response to this claim. While not admitting discrimination, the union agreed to increase its African American membership to a percentage equivalent to the "percentage of blacks in the standard Metropolitan Statistical Area in which the Glaziers Local 718 members perform the largest segment of their work."

In EEOC v. Local 38,⁴² the Court found that Local 38 of the United Association of Journeymen and Apprentices of Plumbing and Pipe-Fitting Industry, AFL-CIO, violated the terms of a consent decree by refusing to admit a certain

⁴¹ Jackson v. Glaziers and Glassworkers Local Union No. 718 et al., No. C78-1528 WHO (N.D. Cal. June 28, 1979).

⁴² 28 Fair Employment Practice Case (BNA) 1567 (N.D. Cal. 1981).

number of minority apprentices. The Union's jurisdiction included Northern California from San Francisco to the Oregon border along California's north coast. For purposes of the consent decree, population parity was defined as 9 percent African American, 8 percent Asian, and 11 percent Spanish-surnamed American. However, for the period between 1977 and 1979, the minority membership of Local 38 was only 2.3 percent African American, 8 percent having Spanish surnames, and 2.9 percent Asian.⁴³

In 1977, the U.S. District Court for Northern California issued a consent decree, EEOC v. Local 378⁴⁴ extending an order first issued in 1971 directing the International Association of Bridge, Structural, and Ornamental Iron Workers throughout California to continue and extend affirmative action programs. The Court directed that the Union's apprenticeship program in San Francisco and San Jose admit 13.6 percent or 5 African Americans, whichever was higher, and the Union's Oakland program admit 35 percent or 20 African Americans, whichever was higher.

Another such decree was entered into by the District Court in 1977 regarding EEOC v. Sheet Metal Workers International Association, Local 104.⁴⁵ The Court directed the local union to adhere to an apprentice hiring timetable which called

⁴³ Id. at 1572.

⁴⁴ Equal Employment Opportunity Commission v. Local 378, International Association of Bridge, Structural, and Ornamental Iron Workers et. al., U.S. District Court, Northern California, Civil Action No. 71-984.

⁴⁵ Equal Employment Opportunity Commission v. Sheet Metal Workers International Association Local 104, United States District Court, Northern District of California, No. C76-2427 WAI.

for a minimum of 50 percent of apprentices to be minority until Union membership reached "population parity."

Discrimination in employment can seriously impede minorities and women from gaining the experience necessary for establishing successful businesses. Minorities and women who are denied employment in particular industries will probably never operate businesses in those industries; they may also be less well-represented in industries because they lack the social contacts that can prove important to gaining employment.⁴⁶

Although not in the context of the construction industry of labor unions, case law does exist in Alameda and Contra Costa Counties reflecting employment discrimination. In Martinez v. Oakland Scavenger Co.,⁴⁷ the District Court concluded that Oakland Scavenger, a garbage collection company, had plainly and severely discriminated against African American and Hispanic employees. The Court made the following findings:

1. The best jobs in the company were overwhelmingly held by whites, for reasons which were not justified by racially neutral employment considerations.

⁴⁶ See Walter Williams, "Freedom to Contract: Blacks of Labor Organizations," Government Union Review, Summer 1981, and Howard Foster and George Strauss, "Labor Problems in Construction: A Review," Industrial Relations, October 1972, for discussion of race, sex discrimination and nepotism in employment in the construction industry. For discussion and empirical study of the role of social networks in gaining employment see Jomills Braddock and James McPartland, "How Minorities Continue to be Excluded from Equal Employment Opportunities: Research on Labor Market and Institutional Barriers," John Hopkins Center for Social Organization of Schools: Final Report. They state: "[W]e conclude that segregated social networks constitute an important racial barrier at the job candidate stage."

⁴⁷ 680 F. Supp. 1377 (N.D. Cal. 1987).

2. The shareholder employees were all white and received (a) higher pay, and (b) guaranteed overtime, for the same work that was being performed by the minority employees.
3. No minority employee had the opportunity to become a shareholder and hence to have access to better jobs and higher pay.
4. The company system updating for jobs was riddled with exceptions, which were used for the benefit of the white employees.
5. The casual pool was operated in a discriminatory manner.
6. There were numerous acts of intentional racial discrimination, which created a racially discriminatory atmosphere within the company.

There was also strong evidence of discrimination in the food services industry. In The Legal Aid Society of Alameda County v. Brennan,⁴⁸ several African American residents of Alameda County brought suit against the United States Department of Agriculture (USDA) complaining that USDA had failed to enforce an executive order requiring food processing contractors that contracted with the government to develop an affirmative action plan to ensure that the workforce composition is equitable.⁴⁹ The Ninth Circuit affirmed the District Court's decision to enjoin the USDA officials from approving 10 Alameda County programs which violated the applicable regulations.⁵⁰ While the failure of the 10 food service contractors to institute affirmative action programs may not be the most powerful evidence of purposeful discrimination, their unwillingness to comply with a federal

⁴⁸ 608 F.2d 1390 (9th Cir. 1979), cert. denied 447 U.S. 921, 100 S.Ct. 3010 (1980).

⁴⁹ Id. at 1325-27.

⁵⁰ Id. at 1327.

regulation, and the USDA's unwillingness to enforce that regulation, both indicate that there is a problem with discrimination in the food processing industry in the County. The Court noted that "contemporary compliance reviews reflected underutilization of African Americans by 70 percent of the Alameda County food processing contractor, and systematic underutilization of blacks both overall in every job category by more than 1/3 of such contractors." There are numerous statistical examples of this underutilization. Shasta beverages had 1 African American employee in a workforce of 154, or .6 utilization. Carnation had 4 African American employees of 315 in the workforce (1.2 percent), with utilization at 0 percent in several categories and no higher than 6 percent in any. Oscar Meyer and Hines had no African American employees at all. Ram Packing had 1 African American employee of 48 (2 percent) overall and of 23 (4.3 percent) in the semi-skilled operatives categories, and all other categories showed 0 percent utilization. Kockos Brothers had 17 African American employees of 336 (5 percent), all but 2 in the operative category, and all other categories showed 0 percent utilization. Foremost Transport had 4 African American employees of 54 (7.4 percent), with underutilization in all but one category in which 1 of the 2 employees was African American. Ghirardelli Chocolate had 2 African American craftsmen and 1 unskilled laborer among 73 employees (4.1 percent), with underutilization in all but one job category. Kilpatrick Bakery had 15 African American employees of 247 (6 percent), with underutilization in all but the service-worker category. Safeway stores had 37 African American employees in a workforce

of 741 (4.9 percent), with 0 percent utilization in some categories and underutilization in all others except service-workers, where African Americans constituted more than 41 percent of the workforce.⁵¹

The final case which reflects discrimination in employment in both Alameda and Contra Costa Counties is Pate v. Alameda-Contra Costa Transit District.⁵² The Court found that the transit district, which provides public bus transportation for both counties, had "discriminated against black persons in the hiring of clerical, maintenance, and nonunion employees and against black employees in training for promotion to nonunion positions."⁵³

Minorities who are denied promotions, especially to managerial positions, will have fewer of the skills needed to operate a business. They will be less likely to open a business and, if they open a business, will have a less successful business than if they had not suffered discrimination.

Unions also provide construction companies with workers through the union's hiring halls. A number of minority and woman-owned firms have complained that the union hiring halls discriminated against them by sending them to the least able union members.⁵⁴

⁵¹ *Id.*

⁵² 21 Fair Empl. Prac. Cas. (BNA) 1228 (N.D. Cal. 1979).

⁵³ *Id.* at 1230.

⁵⁴ This problem was encountered by the construction firms interviewed by Robert Glover, Minority Enterprises and Construction, New York: Praeger, 1977, p. 66.

G. Evidence from Other Studies and Newspaper Accounts

As indicated above, spurred by continued concern over racial discrimination, governments have sponsored a number of studies regarding discrimination since the early 1980s. Relevant studies have been commissioned by local, state and federal agencies. In addition, discrimination continues to be an area of interest for academics. Consequently, the academic literature also provides some relevant material.

The Community Credit Needs Assessment prepared in 1989 for two City of Oakland agencies provides evidence of discrimination by financial institutions, principally in the form of redlining. According to the study, banks and other lending institutions are reluctant to make loans to businesses located in specific, predominantly minority areas of Oakland. The report also found that small businesses, in general, face serious obstacles in the financial market.⁵⁵

A study sponsored by the San Francisco Human Rights Commission also found bonding and financing among minority small businesses the most difficult problems.⁵⁶ According to the report, 50 percent of minority and woman-owned firms responding to a survey identified bonding and financing as a serious obstacle.⁵⁷ In

⁵⁵ Rosen, 1989.

⁵⁶ Hernandez, 1985.

⁵⁷ Note that only 8 firms out of 20 indicated that they had forfeited or not been able to accept a contract because of bonding/financing/insurance requirements. The study's author, however, did observe that many more firms have simply foregone bidding because of these requirements.

fact, the key recommendation of the study's author involved the establishment of a special revolving fund to provide short-term loans to qualified M/WBEs.

The California Public Utility Commission has also been concerned about discrimination in public utility contracting. There is, in fact, a Commission Order (General Order 156) which requires public utilities to "make good faith efforts to hire minority contractors." A study by John James documented the low utilization of minority firms by public utilities in the State.

The City and County of San Francisco and the City of San Jose have also sponsored Croson disparity studies similar to this in the past two years. Both studies found substantial statistical disparities in the utilization and availability of minority and woman-owned firms. San Francisco established an affirmative action program on the basis of its study results which is now under court challenge. San Jose has not yet fully implemented a program in light of its study results, but is expected to do so.

The federal government has also continued to study discrimination. For example, a report by the Congressional task force on minority set-asides reports evidence of discrimination against women.⁵⁸ It cites the National Association of Women Business Owners (NAWBO) on the issue of discrimination in obtaining credit: "commercial credit is one area where discrimination is still rampant." A 1985 poll of NAWBO's membership revealed that two out of every five respondents felt that they had been a victim of discrimination when applying for commercial credit.

⁵⁸ U.S. Congress, Report of Congressional Task Force on Minority Set-Asides, September 8, 1988.

The Small Business Administration (SBA) has also studied the plight of small minority businesses. An SBA study found that African Americans face outright discrimination by financial institutions; however, there was no significant discrimination shown against Asian and Hispanic businesses.⁵⁹

There are also some notable academic studies on discrimination. For example, Donohue and Heckman, economists at Northwestern University and the University of Chicago respectively, recently surveyed the evidence regarding the cause of improvements in the economic status of African Americans.⁶⁰ They concluded that a variety of factors contributed to the observed improvement and that these factors varied over time and by region. Donahue and Heckman conclude that evidence regarding the impact of contract compliance policy demonstrates that such a policy has had a positive effect on African American employment, but that studies to date have not controlled for other factors such as relative wages and relative employment sufficiently to estimate the magnitude of this effect.

In addition, a number of academic studies have, for example, concluded that discrimination in employment can seriously impede minorities and women from gaining the experience necessary for establishing successful businesses. Minorities and women who are denied employment in particular industries will probably never operate

⁵⁹ U.S. Small Business Administration, The State of Small Business: A Report of the President, op. cit.

⁶⁰ John J. Donohue III and James Heckman, "Continuous Versus Episodic Change: The Impact of Civil Rights Policy on the Economic Status of Blacks," Journal of Economic Literature, Vol. XXIX, (December, 1991), pp. 1603-1643.

businesses in those industries; they may also be less well-represented in industries because they lack the social contacts that can prove important to gaining employment.⁶¹ Academics have also recently reexamined the degree of discrimination in employment. Researchers at the Urban Institute concluded that, ". . . [our study] demonstrates that unequal treatment of African American jobseekers is entrenched and widespread."⁶²

Unequal treatment of African American job seekers was also observed in a recent study by Kletzer of Williams College.⁶³ Using nationwide Census data on worker displacement, Kletzer found that white men were more likely to regain employment in a similar industrial or occupational group than African American men. According to the Census, 29.3 percent of African American men were rehired in the same occupation compared to 37.2 percent for whites.⁶⁴

Academics have also frequently studied the role of unions as an obstacle to minority advancement. The basic conclusion has been that construction unions, which

⁶¹ See Williams (1981), Foster and Strauss (1972), Braddock and McPartland.

⁶² Margery Austin Turner, et. al., "Opportunities Denied, Opportunities Diminished: Discrimination in Hiring," The Urban Institute: Washington, D.C., 1991.

⁶³ Lori G. Kletzer, "Job Displacement, 1979-86: How Blacks Fared Relative to Whites," Monthly Labor Review, July 1991, pp. 17-25.

⁶⁴ *Ibid.* pp. 22

often act as hiring halls for unionized construction firms, have long denied employment opportunities to African Americans.⁶⁵

Discrimination in purchasing has been the subject of academic research as well. A recent study reported in the Harvard Law Review, for example, found that women and minorities were discriminated against by new car dealers.⁶⁶ The study found that white women on average pay several hundred dollars more for a car than white men and that African American men pay an even greater premium.

Finally, academics have also addressed distinctions between the various racial and ethnic groups typically defined as minorities.⁶⁷ Farley, of the University of Michigan, used 1980 U.S. Census data on racial and ethnic status, earnings, education and marital status, age, and location to study whether earnings differences were attributable to race and ethnic status. He determined that nonwhite minority earnings were lower than white earnings even controlling for education, age and other factors. This finding held for African Americans, Hispanics, Asians (defined as Chinese and

⁶⁵ Labor unions have historically practiced discrimination. For example, the American Federation of Labor is said to have been instrumental in driving African Americans out of employment as craftsmen by the early twentieth century; at the time of the Civil War, African American craftsmen outnumbered whites by a margin of five to one. It is argued that discrimination has persisted through to the present. See Bradley Schiller, The Economics of Poverty and Discrimination, Chapter 11; Bureau of Labor Statistics, A Brief History of the American Labor Movement, 1970, pp. 61-64; Howard Foster and George Strauss, "Labor Problems in Construction: A Review," Industrial Relations, October, 1972; and Steve Askin, "Blood, Sweat and Steel," Black Enterprise, May 1984. Also, Edmund Newton describes how construction unions manipulate the hiring process to bypass minorities by keeping them uninformed of work opportunities in "Steel, The Union Fiefdom," Black Enterprise, May, 1984.

⁶⁶ Ian Ayres, "Fair Driving: Gender and Race Discrimination in Retail Car Negotiations," Harvard Law Review, Vol. 104, No. 1, February 1991, pp. 817-872.

⁶⁷ See, for example, Reynolds Farley, "Blacks, Hispanics, and White Ethnic Groups: Are Blacks Uniquely Disadvantaged?" American Economic Review, Vol. 80, No. 2, pp. 237-241, 1991.

Japanese) and Native Americans. Farley observed that "it is impossible to demonstrate discrimination using census samples, but these numbers imply that if a specific set of characteristics were possessed by Hispanics or racial minorities, they were less rewarded than if they were possessed by white ethnic groups."⁶⁸ This has become an important area of inquiry in view of the "tailoring" requirement attributed to the Croson decision.

H. Conclusions

The anecdotal evidence reviewed, clearly demonstrates that minority and woman-owned firms strongly believe that they are often victims of discrimination. Among these firms, African Americans have been most vocal as documented by the racial composition of the public hearings and the measurement of discrimination severity in the survey responses. Hard evidence of actual discrimination is difficult to obtain from these sources. For this type of evidence we must look (in addition to statistical evidence) to court decisions where acts of discrimination have been established. As described in section F, there have been numerous such cases in SFRA's geographic market over approximately the last decade.

The anecdotal evidence also reveals the principal sources and impacts of race and gender discrimination. Bonding and financial problems are the most common obstacles found in all of the sources reviewed. Other problems such as certification and the bidding process burdens as well as the "old boy" network and slow pay were

⁶⁸ Ibid. pp. 240

also frequently noted. Table 6.12 summarizes the anecdotal evidence of discrimination established through the various data-gathering efforts made during the course of this study. These findings serve not only to buttress the statistical disparity findings, they also point to areas which must be addressed to improve conditions for minority and woman-owned firms.

SUMMARY OF ANECDOTAL EVIDENCE
OF DISCRIMINATION IN
SAN FRANCISCO REDEVELOPMENT AGENCY'S
GEOGRAPHIC MARKET

SOURCE OF EVIDENCE				
DISCRIMINATION BY	HEARINGS/ INTERVIEWS	SURVEYS	COURT CASES	ACADEMIC & OTHER STUDIES
Prime Contractors	X	X		X
Bonding or Surety Companies	X	X		X
Banks and Other Financial Institutions	X	X		X
Suppliers	X	X		X
Trade Associations/ Unions	X	X	X	X
Government Procurement Practices:				
Bonding Requirements	X	X		X
Insurance Requirements	X	X		X
Bid Notification	X	X		X
Slow Pay	X	X		X
Certification	X			

NOTE: X indicates that evidence of disparity was from the source identified

RACIAL/ETHNIC COMPOSITION OF PUBLIC HEARINGS HELD IN
ALAMEDA, CONTRA COSTA AND SAN FRANCISCO COUNTIES, 1991

<u>Hearing</u>	<u>African American</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Other</u>	<u>Total</u>
Alameda County May 14, 1991	11	1	2 [1]	0	14
Contra Costa County May 16, 1991	8	1	0	0	9
Contra Costa County May 20, 1991	3	4	0	0	7
Alameda County May 21, 1991	9	1	1	2 [2]	13
San Francisco County June 6, 1991	11	— 1	— 4	— 2 [3]	— 18
TOTAL	42	8	7	4	61

Sources and Notes

NERA M/WBE Survey.

[1] Asian Indian

[2] White women

[3] White men

RACE/GENDER BREAKDOWN OF RESPONDENTS
TO M/WBE SURVEY

	<u>Number of Businesses</u> <u>(1)</u>	<u>Percent of Total</u> <u>(2)</u>
<u>MBEs:</u>		
Asian	141	26.11%
African American	127	23.52
Hispanic	97	17.96
Other Ethnicities	40	7.41
Total Minority ¹	378	70.00
<u>WBEs:</u>		
White Women	144	26.67
Both Women & Minority	136	25.19
Total Women	280	51.85
Other Respondents ²	18	3.33

Total Number of Respondents: 540

NERA M/WBE Survey.

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

SURVEY RESPONDENTS CLAIMING DISCRIMINATION
BY RACE/GENDER ACROSS ALL INDUSTRIES

	<u>Percent</u> ¹
<u>MBEs:</u>	
Asian	50.81%
African American	80.51
Hispanic	34.48
Other Ethnicities	60.00
Total Minority ²	56.97
<u>WBEs:</u>	
White Women	31.01
Both Women & Minority	59.02
Total Women	44.62
Other Respondents ³	64.29

Sources and Notes

NERA M/WBE survey.

¹ Percentages reflect the total number of respondents claiming discrimination divided by the total number of respondents who indicated yes or no to the question "In the last five years, have you, in your opinion, been discriminated against — that is, treated less favorably than otherwise similar firms operated by white men — while participating in any of the business dealings listed below?" (See the Appendix for this question.)

² This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

³ These figures represent respondents who failed to specify their ethnicity and gender.

RESPONSE TO QUESTIONS ASKING WHETHER FIRMS USED
ON PROJECTS WITH M/WBE REQUIREMENTS ARE ALSO USED
ON PROJECTS WITHOUT M/WBE REQUIREMENTS

	<u>Never</u>	<u>Not Very Frequently</u>	<u>Frequently</u>	<u>Always</u>	
Total	(1)	(2)	(3)	(4)	
(5) <u>MBEs:</u>					
Asian	63 58.33%	31 28.70%	9 8.33%	5 4.63%	108
African American	78 80.41	14 14.43	5 5.15	0 0.00	97
Hispanic	37 46.84	18 22.78	17 21.52	7 8.86	79
Other Ethnicities	19 73.08	4 15.38	3 11.54	0 0.00	26
Total Minority ¹	180 62.50	66 22.92	31 10.76	11 3.82	288
<u>WBEs:</u>					
White Women	47 43.93	27 25.23	30 28.04	3 2.80	107
Both Women & Minority	69 68.32	21 20.79	7 6.93	4 3.96	101
Total Women	116 55.77	48 23.08	37 17.79	7 3.37	208
Other Respondents ²	6 75.00	0 0.00	1 12.50	1 12.50	8

Sources and Notes

NERA M/WBE Survey.

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

CONSTRUCTION SURVEY
BREAKDOWN OF RESPONDENTS

	<u>Number of Businesses</u> (1)	<u>Percent of Total</u> (2)
<u>MBEs:</u>		
Asian	19	19.59%
African American	11	11.34
Hispanic	41	42.27
Other Ethnicities	7	7.22
Total Minority ¹	73	75.26
<u>WBEs:</u>		
White Women	21	21.65
Both Women & Minority	13	13.40
Total Women	34	35.05
Other Respondents ²	3	3.09
Total Number of Respondents: 97		

Sources and Notes

NERA M/WBE Survey.

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

CONSTRUCTION SURVEY
DISCRIMINATION

	<u>Yes</u> (1)	<u>No</u> (2)	<u>Total</u> (3)
<u>MBEs:</u>			
Asian	6 33.33%	12 66.67%	18
African American	9 90.00	1 10.00	10
Hispanic	14 38.89	22 61.11	36
Other Ethnicities	2 50.00	2 50.00	4
Total Minority ¹	30 46.15	35 53.85	65
<u>WBEs:</u>			
White Women	7 33.33	14 66.67	21
Both Women & Minority	4 36.36	7 63.64	11
Total Women	11 34.38	21 65.63	32
Other Respondents ²	2 66.67	1 33.33	3

Sources and Notes

NERA M/WBE Survey.

- ¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.
- ² These figures represent respondents who failed to specify their ethnicity and gender.

CONSTRUCTION SURVEY - AVERAGE RATING OF BID IMPEDIMENTS
 (Number of respondents in parentheses)

	Bid Bond	Performance Bond	Payment Bond	Insurance Requirements	Project Size	Cost of Competing Proposal
Asian	3.63 (15)	3.50 (14)	3.64 (14)	2.82 (17)	3.35 (17)	3.00 (15)
Black	4.40 (10)	4.45 (11)	4.40 (10)	3.00 (10)	3.73 (11)	3.36 (11)
Hispanic	3.65 (31)	3.72 (32)	3.72 (32)	3.08 (39)	3.24 (37)	3.23 (35)
Native American	4.00 (2)	3.67 (3)	3.67 (3)	3.00 (3)	3.67 (3)	3.67 (3)
Unspecified Minority	4.00 (2)	4.50 (2)	4.00 (2)	3.00 (3)	2.50 (2)	3.50 (2)
Women	3.41 (22)	3.57 (23)	3.48 (23)	3.10 (29)	3.21 (29)	3.12 (26)
Both Women & Minority	3.33 (9)	3.40 (10)	3.40 (10)	3.09 (11)	2.82 (11)	3.22 (9)
Total Minority	3.75 (58)	3.78 (58)	3.81 (57)	3.00 (67)	3.33 (66)	3.24 (62)

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CONSTRUCTION SURVEY - AVERAGE RATING OF BID IMPEDIMENTS (cont'd)
 (Number of respondents in parentheses)

	Length of Notification For Bid Deadlines ¹	Length of Notification for Bonding Requirements ²	Length of Notification for Insurance Requirements ³	Prequalification Requirements ⁴	Prequalification with Government Entitles ⁵
Asian	3.25 (16)	3.29 (17)	3.60 (14)	3.17 (18)	2.94 (16)
Black	4.20 (10)	3.90 (10)	3.91 (11)	3.36 (11)	3.40 (10)
Hispanic	3.56 (36)	3.37 (38)	3.82 (34)	3.36 (36)	3.16 (38)
Native American	3.67 (3)	3.33 (3)	3.67 (3)	3.00 (3)	3.00 (3)
Unspecified Minority	4.00 (2)	3.00 (2)	3.50 (2)	3.00 (3)	2.00 (1)
Women	3.28 (25)	3.21 (28)	3.52 (25)	3.19 (26)	2.96 (27)
Both Women & Minority	3.30 (10)	3.09 (10)	3.40 (10)	3.09 (11)	3.18 (11)
Total Minority	3.56 (64)	3.40 (67)	3.75 (61)	3.27 (66)	3.11 (63)

Sources and Notes:

NERA MWBE survey response to the question: "In general, how have the following characteristics affected your ability to obtain contracts from government entities?"
 Respondents are asked to choose from among five answers, each assigned a number:

1 = No experience with
 2 = Helps me obtain award

3 = No effect

4 = Makes it harder to obtain an award

5 = Makes it impossible to obtain an award

CONSTRUCTION SURVEY
FREQUENCY OF DISCRIMINATION BY BONDING COMPANIES

	<u>Never</u> (1)	<u>Sometimes</u> (2)	<u>Frequently</u> (3)	<u>Always</u> (4)	<u>Total</u> (5)
<u>MBEs:</u>					
Asian	5 62.50%	1 12.50%	1 12.50%	1 12.50%	8
African American	0 0.00	2 40.00	2 40.00	1 20.00	5
Hispanic	11 61.11	5 27.78	2 11.11	0 0.00	18
Other Ethnicities	2 66.67	1 33.33	0 0.00	0 0.00	3
Total Minority ¹	17 51.52%	9 27.27%	5 15.15%	2 6.06%	33
<u>WBEs:</u>					
White Women	6 75.00	0 0.00	0 0.00	2 25.00	8
Both Women & Minority	3 60.00	2 40.00	0 0.00	0 0.00	5
Total Women	9 69.23	2 15.38	0 0.00	2 15.38	13
Other Respondents ²	0 0.00	0 0.00	2 100.00	0 0.00	2

Sources and Notes

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

PERSONAL/PROFESSIONAL SERVICES SURVEY
BREAKDOWN OF RESPONDENTS

	<u>Number of Businesses</u> <u>(1)</u>	<u>Percent of Total</u> <u>(2)</u>
<u>MBEs:</u>		
Asian	91	27.91%
African American	91	27.91
Hispanic	33	10.12
Other Ethnicities	24	7.36
Total Minority ¹	222	68.10
<u>WBEs:</u>		
White Women	91	27.91
Both Women & Minority	88	26.99
Total Women	179	54.91
Other Respondents ²	13	3.99

Total Number of Respondents: 326

Sources and Notes

NERA M/WBE Survey.

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

PURCHASING SURVEY
BREAKDOWN OF RESPONDENTS

	<u>Number of Businesses</u> (1)	<u>Percent of Total</u> (2)
<u>MBEs:</u>		
Asian	31	26.50%
African American	25	21.37
Hispanic	23	19.66
Other Ethnicities	9	7.69
Total Minority ¹	83	70.94
<u>WBEs:</u>		
White Women	32	27.35
Both Women & Minority	35	29.91
Total Women	67	57.26
Other Respondents ²	2	1.71

Total Number of Respondents: 117

Sources and Notes

NERA M/WBE Survey.

¹ This total is less than the sum of Asian, African American, Hispanic and Other because some respondents designated themselves with more than one ethnicity. For example, a firm which is owned by an Asian and a Hispanic would be counted in both figures.

² These figures represent respondents who failed to specify their ethnicity and gender.

SUMMARY OF ANECDOTAL EVIDENCE OF
DISCRIMINATION AGAINST MINORITIES AND WOMEN

DISCRIMINATION BY	HEARING/INTERVIEWS	SURVEYS	COURT CASES	ACADEMIC & OTHER STUDIES
Private Sector				
Prime Contractors	21% of winesses named prime contractors	Almost 60% of respondents indicated primes discriminated	Academic studies found discriminatory hiring practices among prime contractors	
Bonding/Surety Firms	20% of winesses named bonding firms	Almost half of respondents in the construction industry claimed discrimination in bonding		
Bank and other financial institutions	10% of winesses named banks	Over 40% of construction firm respondents claimed discrimination by financial institutions	Studies conducted in both San Francisco and Oakland point to discrimination by financial institutions	
Suppliers	3% of winesses named suppliers	About 30% of respondents claimed suppliers discriminate	Recent academic studies have found minorities and women pay more for goods	
Unions/Trade	10% of winesses named unions	There have been numerous successful law suits against unions regarding discrimination in SFR's Geographic Market	Academic studies have chronicled union discrimination	

SUMMARY OF ANECDOTAL EVIDENCE OF
DISCRIMINATION AGAINST MINORITIES AND WOMEN

DISCRIMINATION BY	HEARING/INTERVIEWS	SURVEYS	COURT CASES	ACADEMIC & OTHER STUDIES
Agency Procurement Practices.				
Bonding Requirements	Witnesses identified bonding requirements as well as bonding firms as a serious obstacle		Studies questioned the need for bonding, especially of subcontractors	
Insurance Requirements		24% of respondents reported insurance an impediment		
Bid Notification	5% of witnesses named bid notification as a serious obstacle		Considered a serious impediment by supplier respondents	
Slow-Pay	7% of witnesses named slow pay as a serious obstacle			
Certification	7% of witnesses named certification process as obstacle			

CHAPTER 7 METHODS FOR REMEDYING DISCRIMINATION

In Croson, the U.S. Supreme Court insisted that state and local governments only adopt measures that are narrowly tailored to remedy private discrimination. The Court concluded that the Richmond, Virginia plan was not narrowly tailored because "it is not linked to identified discrimination in any way."¹ The Court also objected to the Richmond program because the City apparently did not consider race-neutral remedies;² because the "30 percent quota cannot be said to be

¹ 109 S.Ct. at 728

² 109 S.Ct. at 728.

narrowly tailored to any goal, except perhaps outright racial balancing";³ and because of the "gross overinclusiveness [of minority groups such as Aleutians, for which there was no evidence of past discrimination] of Richmond's racial preference."⁴

To satisfy Croson, a state or local government must begin by identifying, with some particularity, discriminatory practices that are within its jurisdiction. Once an injury has been identified, a state or local government must consider race-neutral alternatives such as those suggested by Justice O'Connor.

Even in the absence of discrimination, the city has at its disposal a whole array of race-neutral devices to increase the accessibility of city contracting opportunities to small entrepreneurs of all races. Simplification of bidding procedures, relaxation of bonding requirements, and training and financial aid for disadvantaged entrepreneurs of all races would open the public contracting market to all those who have suffered the effects of past societal discrimination or neglect.⁵

The Court would appear to allow preferences to identified victims of discrimination as a remedy so long as the effect on innocent third parties is minimized.⁶ Finally, "[i]n

³ 109 S.Ct. at 728.

⁴ 109 S.Ct. at 728.

⁵ Croson v. Richmond, 109 S.Ct. 729.

⁶ "Nor is local government powerless to deal with individual instances of racially motivated refusals to employ minority contractors. Where such discrimination occurs, a city would be justified in penalizing the discriminator and providing appropriate relief to the victim of such discrimination." 109 S.Ct. at 729.

the extreme case, some form of narrowly tailored racial preference might be necessary to break down patterns of deliberate exclusion⁷

Unfortunately, the Court has provided little guidance in Croson or in other affirmative action cases on the circumstances that would justify adopting race-conscious remedies over less restrictive alternatives. United States v. Paradise, which upheld a court-ordered affirmative action plan adopted by the Alabama Department of Public Safety, provides the most explicit statement of the factors considered by the Court in evaluating race-conscious remedies.⁸

In determining whether race-conscious remedies are appropriate, we look to several factors, including the necessity for the relief and the efficacy of alternative remedies; the flexibility and duration of the relief, including the availability of waiver provisions; the relationship of the numerical goals to the relevant labor market; and the impact of the relief on the rights of third parties.

This chapter discusses and evaluates race/gender-neutral and race/gender-conscious remedies in light of the considerations suggested by Croson and Paradise. In Section A, we present a framework for determining the appropriate remedy for particular forms of discrimination. Section B explains why purely race/gender-neutral

⁷ Id.

⁸ 107 S.Ct. at 1067. Brennan's decision was joined by Marshall, Blackmun, Powell and Stevens. Justice O'Connor, in a dissent that was joined by Rehnquist, Scalia, and in large part by White, argued that "[t]here is simply no justification for the use of racial preferences if the purpose of the order could be achieved without their use because," quoting Justice Stevens' dissent in Fulilove, "[r]acial classifications are simply too pernicious to permit any but the most exact connection between justification and classification." 107 S.Ct. at 1081. According to Justice O'Connor, "To survive strict scrutiny, [the remedy] must fit with greater precision than any alternative remedy." 107 S.Ct. at 1082.

remedies could not effectively remedy the forms of discrimination we identified in the previous chapter. In section C, we discuss the application of race/gender-conscious preferences.

A. A Framework for Evaluating Alternative Remedies

Discrimination affects minority and woman entrepreneurs in three distinct but related ways. First, discrimination can reduce business revenues to the extent that customers refuse to deal with M/WBEs and can increase business costs to the extent that suppliers and bonding companies charge M/WBEs more than they would charge non-M/WBEs. By reducing revenues and raising costs, discrimination makes M/WBEs less profitable and smaller. Second, the smaller size and lower profitability of M/WBEs at any point also reduces their opportunity to expand and grow over time. Most businesses start out small and expand over their lifecycles; a business that is small today will tend to be small tomorrow.⁹ Small businesses, especially, rely on profits to finance future growth.¹⁰ Third, the lower expected profitability of businesses operated by minorities and women will tend to discourage potential minority and woman entrepreneurs from starting businesses in the first place.¹¹ Thus, present

⁹ See David S. Evans, "Tests of Alternative Theories of Firm Growth," Journal of Political Economy, August 1987.

¹⁰ For evidence and summaries of the literature see David S. Evans and Boyan Jovanovic, "An Estimated Model of Entrepreneurial Choice under Liquidity Constraints," Journal of Political Economy, August 1989 and William A. Brock and David S. Evans, "Small Business Economics," Small Business Economics, January 1990.

¹¹ See George Borjas and Stephen Bronars, "Consumer Discrimination and Self-Employment," Journal of Political Economy, June 1989 for evidence that discrimination by customers deters entry by African (continued...)

discrimination can reduce the number of M/WBEs in existence at a given point, reduce the size of M/WBEs in existence at a given point and limit the opportunities for existing M/WBEs to expand. These adverse effects on M/WBE development all ultimately stem from the effects of contemporaneous discrimination on M/WBE revenues and costs.

In fashioning remedies for discrimination we will find it useful to distinguish the type of discrimination and proximity of discrimination to the state or local agency seeking a remedy. Discrimination could arise from disparate impact — the neutral application of criteria that minorities and women lack disproportionately — and disparate treatment — the application of different criteria to minorities and women than to similarly situated white men. This discrimination could arise from the state or local agency itself (e.g., its procurement officers), from parties with which it deals directly (e.g., general contractors) and from third parties in the marketplace (e.g., banks).

B. Race/Gender-Neutral Remedies

Race/gender-neutral remedies are most appropriate for valid business practices that have a disparate impact on M/WBEs. All small and new firms, for example, have difficulty obtaining bonding, working capital and a track record. M/WBEs are more likely to experience these difficulties than non-M/WBEs because they are more likely to be small and new than are non-M/WBEs, not necessarily

¹¹(...continued)

American entrepreneurs and Evans and Jovanovic, *id.*, for evidence that the lack of availability of capital deters entry.

because they experience race or gender discrimination. Programs that help small businesses, new businesses or disadvantaged businesses alleviate the disparate impact of valid business practices, such as bonding requirements, on M/WBEs.

There are certain situations in which race/gender-neutral measures appear to be the least restrictive and most appropriate remedy but whose efficacy and practicality become more dubious on closer inspection. The obvious remedy for disparate treatment by a contracting agency itself is to cease such behavior. If procurement officers or selection committees discriminated against M/WBE applicants, an agency should be able to discipline such employees. However, one can imagine circumstances in which race/gender-neutral measures would not work. The subtle ways in which discrimination works may make it difficult to prove that a particular employee discriminates. Civil service laws may limit an agency's ability to discipline employees who engage in discrimination. Further, if discrimination is ingrained in the community, it might be difficult to find employees who would not discriminate. In these cases, forcing employees to grant race/gender preferences may be the only practical and effective remedy available.

Similarly, the obvious remedy for requirements that have a disparate impact on M/WBEs is to eliminate these requirements. But this race/gender-neutral remedy can be problematic. First, some requirements may be mandated by state or federal

law and thus not within the purview of an agency to modify or eliminate.¹² Most of the bidding and bonding requirements for the Agency are prescribed by state law. Second, some requirements — such as bonding — may be based on valid business reasons. But the disparate impact of such requirements may arise from the disparate treatment of M/WBEs by second or third parties. Bonding requirements, for example, may have a disparate impact on M/WBEs because of disparate treatment by sureties. Agency awards would therefore be tainted by the secondary effects of such discrimination.

Another obvious remedy is to impose sanctions on those who discriminate. Although the applicability of civil rights statutes to the subcontracting relationship may be uncertain, subcontractors who could prove discrimination would have some cause of action, if only under a general contract or tort theory. Nonetheless, such potential legal liability has not prevented or remedied the discrimination identified by this study. As discussed above, it is extremely difficult to prove that discrimination occurred in an individual rejection by a prime contractor of an M/WBE subcontractor's bid. Even though there is evidence of a pattern of discrimination of this sort, such evidence would not assist a particular subcontractor challenging the actions of a particular prime contractor. Moreover, the potential remedy — profit on the lost opportunity — would seldom justify the expense of this kind of litigation. We found no examples in which

¹² See Coral Construction Co. v. King County, 729 F.Supp. 734 (W.D. Wash. 1990), aff'd. in relevant part, U.S. App. Lexis No. 17784 (9th Cir. 1991) (race-neutral methods not available because of state bidding laws).

such litigation had been successfully pursued, and only a few instances in which it had been attempted.¹³

A further problem with imposing sanctions is that any particular state or local agency has, at best, a limited ability to expand the scope of sanctions to those areas in which discrimination may affect its procurement decisions. While an agency might impose penalties (debarment, for example) on contractors that engage in discrimination, it would not have the authority or ability to impose penalties on secondary parties such as banks, unions, suppliers and bonding companies whose discrimination raises the costs to M/WBEs which currently bid on an agency's procurements or would do so in the absence of discrimination.

If sanctions are not feasible, then race/gender-conscious preferences of some sort are the only method for ensuring that a state or local agency does not participate indirectly in discrimination by its contractors or secondary parties. There is no race/gender-neutral method for ensuring that non-M/WBE prime contractors cease discrimination by refusing to deal with M/WBE subcontractors. Likewise, there is no race/gender-neutral method for offsetting the higher costs incurred by M/WBE contractors as a result of disparate treatment by suppliers such as banks, bonding companies, unions and manufacturers. Where disparate treatment is tied to race or gender, the only remedy is one that is tied to race or gender.

¹³ It might still be worthwhile to create additional civil remedies for discrimination in subcontracting on public contracts. Such remedies might be useful to a few subcontractors and might lead to records that would be useful in the future.

The preceding discussion indicates that race-neutral programs may be of limited use because (1) there are good reasons to expect they are not particularly effective, (2) their effectiveness is often unknown and (3) they will be expensive to implement. Table 7.1 reviews a range of race-neutral solutions to the various obstacles M/WBEs encounter as a result of disparate impact rather than disparate treatment. As shown by the table, although race-neutral programs take many forms, they often face serious limits.

In fact, SFRA's experience with race-neutral and race-conscious programs documents their limitations. Although the Agency has addressed certain requirements and procedures which are likely to have a disparate impact, e.g., contract size, bonding and insurance requirements, certain minority groups remain underutilized. In addition, some groups have been underutilized even with race-conscious programs in effect.

C. Race/Gender-Conscious Award Preferences

To determine the appropriate form of race/gender-preferences, it is important to look at the impact of identified discrimination on the revenues and costs of affected M/WBEs. Some discrimination — such as the refusal of general contractors to use M/WBE subcontractors or the tendency of selection committees to award contracts to non-M/WBEs — denies M/WBEs opportunities for sales and revenues. When there is an outright refusal to deal with M/WBEs, the only obvious solution is to earmark a portion of an agency's sales to M/WBEs. Hence, set-asides, in some form, would appear to be the most appropriate remedy. When there is an aversion

to M/WBEs, but not an outright refusal to deal, an alternative solution is to give M/WBEs enough extra "points" to offset the effects of discrimination.

Other discrimination — such as that by suppliers — raises the costs of doing business for M/WBEs and therefore denies them profits by preventing them from getting certain contracts and by lowering their profit on contracts that they do get. Although set-asides are one solution to this problem, a more direct solution would be to offset the higher costs of M/WBEs with a subsidy. Subsidies can be awarded either prior to bids or as part of bids. A pre-bid subsidy is one in which an agency provides bonding, technical or financial assistance to M/WBEs who are potential suppliers. An agency makes a direct payment to M/WBEs in this case. A bid subsidy involves giving M/WBE bidders a dollar or point preference in evaluating their bids to offset their higher costs and to thereby make them more competitive with non-M/WBE bidders. For example, the agency could evaluate awards exclusive of bonding costs to eliminate the effects of discrimination in bonding on award decisions; or could give M/WBEs a percent preference (e.g., 5 percent off their bid in the case of contracts awarded to the lowest bidder or extra points in the case of contracts awarded on grounds other than cost). In this case, an agency would make an indirect payment to M/WBEs since they will charge more (as an offset to higher costs caused by discrimination) and these higher charges will be passed on to the agency. This approach may be illegal under state bidding laws for construction.

In selecting an appropriate remedy, the Agency would probably want to consider the cost of each remedy as well as its efficacy. The direct cost of a remedy includes the cost of administering the remedy (e.g., the cost of an affirmative action unit) and possible direct payments to M/WBEs (e.g., subsidized interest payments). The indirect cost of a remedy includes possible indirect payments to M/WBEs (higher awards as a result of not awarding projects to the lowest possible bidder) and inefficiencies introduced into the bidding process. More elaborate mechanisms for awarding preferences will have higher direct costs (more administrative staff) and indirect costs (possibly greater inefficiencies in the bidding process).

In addition, several issues need to be addressed in developing a program that relies on race/gender preferences:

- What mechanism should be used to remedy discrimination — e.g., set-asides, price preferences for assisting M/WBEs?
- Which ethnic groups should receive preferences?
- What utilization goals or requirements should be used for each group which receives preferences?
- How long should the preferences last?
- Which M/WBEs should be included?

This section addresses these five questions.

1. Preference Mechanism

The standard mechanism used in preference programs requires that contractors achieve a prespecified utilization of M/WBEs on their contract. The

advantage of this approach is that it essentially guarantees that a particular level of utilization will be achieved. A disadvantage is that the courts have frowned on quotas so that this method, even if accompanied by provisions for waivers, faces some legal risks. Another disadvantage is that it does nothing to assure utilization of M/WBEs as prime contractors.

An alternative mechanism is to give M/WBEs, or those who utilize M/WBEs sufficiently, a percent-bid preference. The King County, Washington plan, for example, gives M/WBEs an automatic 5 percent bid preference on certain procurements of less than \$10,000. An advantage of this approach is that it reduces the administrative burden of identifying goal requirements for small purchases. Another advantage is that, unlike targeting or set-asides, it limits preferences to M/WBEs that are within the competitive range specified by the bid preference. A disadvantage is that it is difficult to justify a particular bid preference on objective grounds (i.e., it is difficult to document that discrimination has caused M/WBEs a 5 percent disadvantage); consequently, the court may find that the preference is not narrowly tailored to discrimination. Moreover, the bid preference, like the quota, is an outright grant to minorities and women and, therefore, may raise the ire of some members of the Supreme Court. State bidding laws, as we discussed earlier, usually preclude this approach for construction.

Another mechanism is to give preferences to contractors who can make a strong, affirmative case that they do not engage in discrimination. The affirmative case

would be made by a combination of including M/WBEs on the project, documenting the use of M/WBEs in private-sector work and having a strong showing of using minorities and women in managerial positions. Awards would be based on the strength of this case, as well as price.^{14,15}

The advantage of this approach is that it is flexible — the race or gender of the contractor or its subcontractors is not the sole criterion for receiving an award, but one of many factors. It is, therefore, less likely to be disapproved by the Court. A possible disadvantage of this approach is that the Agency may find itself choosing higher-priced firms, albeit ones with better affirmative action records. Another disadvantage is that this procedure requires more management time and judgement and is more susceptible to protests.

2. Identity of Disadvantaged Groups

Under Croson, it is necessary to determine which minority groups have suffered discrimination. We do not view that principle as requiring the same sort of factual showing for each group as for minorities generally. Such a rule might preclude inclusion of smaller groups, regardless of the discrimination they might have suffered

¹⁴ The evaluation of the showing of nondiscrimination should be made before seeing the price quotations since knowledge of price could affect the evaluations.

¹⁵ An illustration may be helpful. Give 100 points for the affirmative action showing. Offerors would receive up to 60 points for achieving a prespecified goal for MBE/WBE participation; offerors would get points in proportion to how close they come to meeting this goal. Offerors would receive 20 points for documenting M/WBE participation on private-sector work or work not subject to goals; and 20 points for documentation that the offeror has minorities and women in managerial positions in general and on specific projects. The award would be based on a combination of price and the affirmative action showing; (for example, the actual price could be reduced by up to 5 percent, depending upon the strength of the affirmative action showing.)

in fact. Valid statistics are generally unavailable for smaller groups because government data are not available (e.g., the Census Bureau does not report separate minority business data for Native Americans), because few members of the group have had the opportunity to participate in the procurement process and because it is difficult to obtain a statistically significant sample of survey responses from smaller groups.

It is not surprising, for example, to find better evidence of discrimination for African Americans than for other groups. African Americans have historically constituted a large segment of the population. As a result of this, better data are available. Moreover, because they are numerous, they can sustain larger and better-financed organizations to collect information on discrimination, to file lawsuits and to make the community more conscious of discrimination.¹⁶

3. Establishing Goals

a. Measures of Availability

It is not yet clear whether Croson requires that future goals be based on historical measures of actual availability, current actual availability or estimates of what current availability would be but for past discrimination (potential availability).

b. Current Availability

The logic of at least employing estimates of current availability seems compelling; where calculations of historical availability have been based on Census

¹⁶ Consistent with this observation is the finding that African American firms have not been underutilized by SFRA while other groups have been. As discussed in Chapter 5, however, there is ample evidence that in the absence of SFRA's affirmative action program, African American firms would be underutilized too.

Bureau or other data that is now two or more years old, availability might well have changed significantly in the interim. Thus, where possible, there is no reason not to use a reasonable estimate of current availability. The concern with setting goals based on current availability is that to date no court has approved this method. That said, no court has been presented with the issue, or approved any particular method, and nothing in Croson suggests that availability must be based upon an outdated "snapshot" of the marketplace.

Availability analyses used in complying with the federal government's Executive Order No. 11246 lend further support to use of the current availability method. The Federal Contract Compliance Manual of the Office of Federal Contract Compliance Policy recognizes the need to adjust data for increases occurring since the data were collected and for the fact that those in possession of the requisite skills may exceed those actually employed in a given occupation when the data were collected. In addition, contractors may take into account the percentage of minorities enrolled in relevant training programs and the composition of feeder groups that may provide workers for the job group under consideration¹⁷. Under this approach, availability figures for M/WBE contractors should take into account growth trends for minority contractors, the presence of those with the requisite skills to be contractors though not employed as such at the time of data collection and the number of minorities in trade

¹⁷ See generally OFCCP Federal Contract Compliance Manual, §§ 2G03-2G05, CCH OFCCP Federal Contract Compliance Manual 2083-2085.

or apprenticeship program that would be "feeders" for those likely to become contractors.

c. Potential Availability

A more difficult question is presented by the issue of potential availability. The logic of remedying "under-availability" caused by prior local discrimination seems as convincing as the logic of updating availability data. Discrimination not only reduces revenues and raises costs for existing M/WBEs but also deters potential minority entrepreneurs from starting businesses and impedes the expansion of existing M/WBEs.

Again, no court has specifically addressed the question whether goals could be based on potential availability. On the negative side, Croson held that, on the facts presented in the case, it would have been "sheer speculation" to determine what availability would have been in the absence of discrimination. More positively, however, the Court has previously allowed such an adjustment in the analogous area of prior employment discrimination. In United States v. Paradise,¹⁸ the Court upheld the use of an interim 50 percent racial quota for promotions, even though the ultimate goal was 25 percent and the current availability was no more than that. Faced with an egregious showing of the defendant's discrimination and recalcitrance in remedying the situation, the Court concluded that the 50 percent promotion quota was the

¹⁸ 480 U.S. 149 (1987).

constitutional form of relief that simply regulated the speed at which the defendant was to reach 25 percent minority employment within the defendant's upper ranks.

Justice O'Connor wrote a dissenting opinion in which Justices Rehnquist and Scalia joined and with which Justice White agreed. Justice O'Connor would have reversed the imposition of the 50 percent quota, in part because it "far exceeded the percentage of blacks in the trooper force, and there is no evidence in the record that such an extreme quota was necessary . . ."¹⁹ She conceded, however, that:

This is not to say that the percentage of minority individuals benefitted by a racial goal may never exceed the percentage of minority group numbers in the relevant work force. But protection of the rights of nonminority workers demands that a racial goal not substantially exceed the percentage of minority group members in the relevant population or work force absent compelling justification.²⁰

Given Justice O'Connor's longstanding emphasis on using the relevant work force for assessing affirmative action efforts and her authorship of the plurality opinion in Croson, this language is persuasive authority that a minority set-aside can temporarily exceed current availability by some amount. Moreover, the opinion suggests that with compelling justification a goal can even "substantially exceed" current availability.

Another factor suggesting that goals can be based on "potential availability" is that there are no known post Croson cases in which an M/WBE goal

¹⁹ Id. at 198.

²⁰ Id. at 199.

was deemed unconstitutional because it exceeded current availability. Moreover, there is at least one post-Croson appellate decision in which the issue of a minority goal in excess of current availability survived a summary judgement challenge to its constitutionality.²¹ Unfortunately, the Court shed little light on this aspect of its ruling and instead relied on the flexibility of the goal and the goal's targeting of different minority groups and exclusion of some minority-owned businesses.

The program at issue in Crone Corp., established an overall M/WBE participation goal of 25 percent in the county's construction projects. The county then reviewed the available and eligible M/WBE contractors for each project and its subcontractable areas. No goal could be set unless there were at least three eligible M/WBEs and no goal could exceed 50 percent. The law also included waiver provisions that would eliminate the goal for a given project.

Using statistics collected in 1983 and earlier, the Eleventh Circuit concluded that the Hillsborough County program was "materially different from the Richmond plan" before the Court in Croson.²² Notably, the 1983 statistics showed that M/WBE contractors comprised twelve percent of the county's total contractor population. Nevertheless, the 1988 ordinance created a total M/WBE participation goal that was twice as large as the minority contractor population. In refusing to grant

²¹ See Crone Corp. v. Hillsborough County, (FLA) 908 F.2d 908 (11th Cir.), cert. denied, 111 S. Ct. 516 (1990). dismissed on other grounds on remand, 1991 U.S. Dist. LEXIS 16582 (M.D. Fla. Nov. 13, 1991).

²² Id. at 914.

summary judgement striking this goal down as unconstitutional, the Court pointed out that the goal was flexible in that some projects would have no goal if there were not at least three qualified M/WBE contractors, no project could have a goal higher than fifty percent, and every project had the goal set individually based on the qualified M/WBE contractors available.²³ The program also incorporated race-neutral alternatives such as simplified bidding and relaxed bonding requirements.²⁴ The plan divided the total goal of 25 percent into different percentages for economically disadvantaged and nondisadvantaged M/WBEs, with the former accorded 80 percent of the total goal, i.e., a 20 percent participation goal.²⁵

Given these facts, the Court held:

It is difficult to understand how the district court could, without any kind of articulated comparative analysis, conclude that the Hillsborough County law is unconstitutional under Croson. We find that the County law differs dramatically from the Richmond plan struck down in Croson and that the facts warrant further development and scrutiny at a trial.²⁶

Again, it is unfortunate that the Court of Appeals did not specifically address and explain the disparity between either the county's 25 percent goal or its

²³ *Id.* at 916-17. The Ninth Circuit's most recent decision on the preference issue, Associated General Contractors, also cited the exclusion of nondisadvantaged M/WBEs as a key fact — evidencing the required narrow tailoring of a preference program.

²⁴ *Id.* at 916 & n.11.

²⁵ *Id.* at 917 & 12. The Ninth Circuit's most recent decision on the preference issue, Associated General Contractors, also cited the exclusion of nondisadvantaged M/WBEs as a key factor evidencing the required narrow tailoring of a preference program.

²⁶ *Id.* at 917.

19.6 percent utilization and the historical 12 percent availability of M/WBE contractors. Nevertheless, the Court's implicit acceptance that a minority goal in excess of availability is constitutional appears to be correct under Paradise.

The Court of Appeals decision in Scoggins v. Board of Education,²⁷ is also instructive. There, the Court examined a District Court's order that the defendant school district implement a policy of recruiting and hiring African American teachers to create a faculty approximating the racial composition of the student population. Relying on the decision in Paradise, the Court remanded the case to the District Court for consideration of the relevant labor market in establishing hiring goals. The court also stated:

We caution, however, that if the relevant labor market for blacks has decreased because of discrimination by the School District, the defendants may not merely rely on present conditions. We do not read Paradise as either holding or suggesting that the District here may be the beneficiary of its own discriminatory conduct.²⁸

In sum, under current law it appears that using "potential availability" figures may be appropriate. Nevertheless, caution is certainly warranted in adopting such an approach. As an initial matter, Justice O'Connor's Paradise dissent suggests that large potential availability adjustments to actual availability figures will not be

²⁷ 853 F.2d 1472 (8th Cir. 1988).

²⁸ Id. at 1478-79.

viewed favorably.²⁹ Moreover, the change in the composition of the Supreme Court since the 1987 Paradise decision — Powell, Brennan and Marshall have been replaced by Kennedy, Souter and Thomas — may result in a more grudging attitude toward potential availability.

A further consideration in choosing the goal is whether it can be met. This determination should be made on a case-by-case basis for procurements. However, we believe general factors should be examined. The first factor is the availability of potential minority and woman entrepreneurs. To assess this, the representation of minorities and women with the relevant experience to start a business can be examined. For example, the percent of lawyers who are currently women constrains the number of law firms that could be owned and operated by women. The second factor is the historical rate of entry of M/WBEs. We showed in Chapter 3 that there was a rapid expansion of M/WBEs overall and M/WBEs with paid employees between 1982 and 1987. This fact suggests that there is a pool of potential minority and woman entrepreneurs who can be drawn upon to start businesses. The third factor is the ability of existing M/WBEs to expand. The fourth factor is the experience in meeting current goals with qualified M/WBEs.

4. Duration of the Program

There are two considerations in determining how long the program should last and how frequently to evaluate the program. The first consideration concerns the

²⁹ 480 U.S. at 198.

period of time necessary to remedy the forms of discrimination described earlier. Given the recent upsurge in blatant discrimination and racial hostility in our society, it is unlikely that the problems this study identifies will soon disappear. The second consideration concerns the frequency with which new data will become available to evaluate the program. The next Census of Minority and Woman-Owned Businesses will be conducted in 1992 with data becoming available in 1994 or 1995. At least an updating of the availability data, therefore, may be appropriate in three to four years.

Although it may be wise to include a presumptive sunset provision in the Agency's program, a thorough reevaluation of the general justification for an M/WBE program probably should not be necessary for another decade. It takes years to overcome the effects of past discrimination, especially when that discrimination has left M/WBEs smaller, newer and less numerous than they otherwise would have been.

5. Geographic Scope

After the Coral Construction decision, jurisdictions within the Ninth Circuit may not include out-of-jurisdiction ("nonlocal") M/WBEs within the program unless they do or have actively tried to do business within the jurisdiction. Each nonlocal firm need not make a separate showing that it has suffered discrimination within the jurisdiction. If there is an adequate showing of a discriminatory environment within the relevant industry in the jurisdiction, then the Court will presume that a nonlocal firm that has tried to compete in the jurisdiction has suffered discrimination. This holding, like all of the holdings in Coral Construction, is subject to revision by the Supreme Court.

REVIEW OF RACE-NEUTRAL SOLUTIONS TO EXPANDING MINORITY BUSINESS OPPORTUNITIES

BONDING AS AN OBSTACLE

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Reduce bonding requirements for bids under specified dollar value.	Require bonding at levels commensurate with risk to the owner.	State and local laws.
Break contract awards into segments and allow contractor to be bonded on one segment at a time.	Allow contractor to complete each segment. Apply the Bond to the next segment until work is completed.	Adds complexity and increases administrative burden.
Refer to federal, state and local bonding assistance programs.	SBA; DOT Programs; National Minority Supplier Development Council Programs.	Limited funds.
Develop public private bonding assistance programs.	Provide public funds to contract with a surety firm to provide bonding assistance to small minority and woman owned firms. ¹	Limited funds.
Eliminate bond premiums from bids.	Bidder would not add the cost of its bond premium to its bid. The successful bidder, regardless of its bond premium, would be reimbursed for the cost of its bond with the first progress payment.	Expensive. Creates incentive to transfer more risk to Agency.

¹ In Philadelphia, CIGNA Corporation operates a bonding assistance program under a contract with the Philadelphia Industrial Development Corporation (PIDC). PIDC funds the contract with Community Development Block Grants. CIGNA subcontracts to Contract Support Systems, Inc. a private minority-owned firm, to provide the bonding assistance to the M/WBE firms. The bonding assistance includes preparing the financial statements; reviewing the contract requirements, and otherwise making the M/WBE firm "bond ready."

Bonding as an Obstacle, continued

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Institute bond waivers and direct disbursement procedures.	<p>Waive performance bond on smaller contracts in which M/WBE firms are more likely to be involved.²</p> <p>Under direct disbursement, subcontractors are paid directly by the owner through a third party disbursing agent. Payment bond is no longer necessary.</p>	Legal limits.
Enact a local "Equal Surety Bond Opportunity" Act.	Local Agencies can require that surety companies do not discriminate on the basis of race when considering applications for bonds.	Enforcement may be difficult and expensive.

² Section 301(b) of Public Law 100-656 Business Opportunity Reform Act of 1988. Under direct disbursement, subcontractors are paid directly by the owner or through a third party disbursing agent. The subcontractor makes application for a progress payment to the prime contractor who approves the amount of payment and includes it in its next payment request to the government agency.

REVIEW OF RACE-NEUTRAL SOLUTIONS TO EXPANDING MINORITY BUSINESS OPPORTUNITIES

NEED FOR INFORMATION AND ASSISTANCE AS AN OBSTACLE

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Hold focus sessions for specific commodities and/or projects.	These sessions provide information for specific projects. The agency invites those firms capable of providing the goods and/or services. Agency personnel responsible for the project are required to attend and bring all available information about the project or service and be prepared to discuss the requirements and respond to questions.	SFRA practices this method, but its effectiveness is unknown.
Require pre-bid conferences for solicitations over a specified dollar value.	This process allows M/WBE firms to ask questions regarding the product or service and to meet the prime contractors likely to bid.	Effectiveness unknown.
Reduce sole source transactions.	Sole source bidding eliminates competition in general. Generic specifications may eliminate the need for sole source purchasing except in extraordinary cases.	Effectiveness unknown, but unlikely to prevent disparate treatment.
Develop and distribute Agency newsletters.	Newsletters provide small businesses with the advance notice they need of projects being planned or developed. The lead time gives them the opportunity to seek bonding and financial assistance, if necessary.	SFRA practices this method through the City of San Francisco, but its effectiveness is unknown.

REVIEW OF RACE-NEUTRAL SOLUTIONS TO EXPANDING MINORITY BUSINESS OPPORTUNITIES

NEED FOR FINANCIAL ASSISTANCE AS AN OBSTACLE

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Adopt prompt payment procedures for subcontractors.	<p>The State of California Office of Small and Minority Business (OSMB) has a prompt payment program that assists small businesses in receiving payment from the state. Senate Bill 982, Chapter 91, Statutes of 1982 imposes a fine for late payments to small businesses.</p> <p>The City of Philadelphia requires a prime contractor to pay subcontractors within ten days of receiving payment.³</p>	SFRA has practiced this method in the past, but its effectiveness is unknown.
Make more frequent payments to contractors.	In addition to prompt payment, state and local governments can improve the cash flow of their contractors by making more frequent payments. Traditionally, payments are made monthly. Biweekly payments, particularly on projects performed by small and emerging firms, dramatically improves the cash flow of such firms.	Effectiveness unknown, adds administrative burden.
Reduce retainage.	Make progress payments in full to the contractor without retention unless it is determined that the contractor is not making timely or otherwise satisfactory progress toward the completion of the contract. ⁴	Effectiveness unknown.

³ The federal government and a few states have addressed the need for prompt payment to subcontractors. As of April 1, 1989, the federal government requires its prime construction contractors to pay their subcontractors within seven days of receiving payment from the government or incur an interest penalty.

⁴ Under Office of Federal Procurement Policy Letter 83-1, "Withholding of Funds from Construction Contract Progress Payments," the federal government does not retain funds "without cause." Decisions regarding the use and specific levels of retainage are made on a "case by case basis."

Need for Financial Assistance as an Obstacle, continued

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Loan Assistance.	The Business Consortium Fund (BCF) is a minority business development company of the National Minority Supplier Development Council which has several affiliate councils in California. The BCF provides financing to minority businesses through a network of banks and the Regional Purchasing Councils.	Limited funds.

REVIEW OF RACE-NEUTRAL SOLUTIONS TO EXPANDING
MINORITY BUSINESS OPPORTUNITIES

INADEQUATE MANAGEMENT, TRAINING & EDUCATION AS OBSTACLES

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Mentor-protege programs	The Department of Defense is operating a pilot mentor-protege program that reimburses majority contractors for the costs incurred in training a M/WBE subcontractor on a Department of Defense contract.	Limited funds.
Joint venture agreements	Joint venture agreements between a contractor and a M/WBE allow the small firm to learn from the joint venture partner while experiencing a share of the risk and responsibility associated with the project.	Effectiveness unknown. SFRA experience suggests that such ventures did not result in perpetuating minority businesses.

REVIEW OF RACE-NEUTRAL SOLUTIONS TO EXPANDING MINORITY BUSINESS OPPORTUNITIES

COMPETITION FROM LARGE FIRMS AS AN OBSTACLE

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Small business preference programs	In California, the Office of Small and Minority Business administers a preference program for small business vendors and construction subcontractors. Under this program 5% of the low bid price is deducted from the bid before it is compared with bids from vendors or construction contractors which are not small businesses. ⁵	Expensive.
Develop new types of outreach programs for small, minority- and woman-owned businesses.	The University of California implemented an "Inreach" program where management and staff of the Ofice of Small Business Development visited campus departments to raise business affirmative action performance in department initiated purchasing activities. The university also conducted business brunches to allow small businesses the opportunity to meet informally with University personnel responsible for purchasing activities.	Effectiveness unknown, however, the University has thus far failed to meet its 15 percent MBE and 5 percent WBE goal. ⁶

⁵ A small business is determined according to gross income for various industrial categories.

⁶ Louis Freedberg, "U.C. Falling Short of Goals for Minority, Woman Contractors," San Francisco Chronicle, January 16, 1992, p. A20.

Competition from Large Firms as an Obstacle, continued

RACE-NEUTRAL SOLUTION(S)	EXAMPLES	LIMITS
Referrals to small business assistance programs.	The U.S. Department of Commerce has a network of business development centers to provide assistance to minority businesses in business planning; financial planning; and other business practices.	Effectiveness unknown.
Divide major projects into sub-projects, whenever feasible to allow small businesses a greater opportunity to bid.	This process would minimize the competition from larger firms.	Increased administrative burden.
Require all bidders for prime contracts to demonstrate and document good faith, and affirmative efforts to contact and solicit subcontract bids from small businesses. ⁷		This would place the responsibility on the contractor to affirmatively seek bids from small businesses. It does not solve the problem of utilization.
Develop bid evaluation criteria that provide points to prime contractors for utilization of M/WBE subcontractors.		Legal Divisions would have to determine if this procedure would be legal.

⁷ The City of Richmond offered this race-neutral program in response to the Supreme Court's ruling in *City of Richmond v. J.A. Croson Company* which rejected the Richmond plan in part because there was no consideration of these kinds of race-neutral methods for increasing minority participation. A race-sensitive program was adopted for construction contracts.

CHAPTER 8 CONCLUSIONS

This study has investigated the utilization of M/WBEs by the San Francisco Redevelopment Agency and has gathered information on the experiences M/WBEs have had with the Agency's procurement process. The study has focused on whether discrimination against M/WBEs has limited their ability to participate on Agency procurements. The study considered several sources of information including:

- a statistical analysis that compared the utilization of M/WBEs by SFRA and the availability of M/WBEs to SFRA;
- a statistical analysis that compared the utilization of M/WBEs by the private sector in SFRA's geographic market with the availability of M/WBEs to the private sector in the market;

- the results of survey responses from 540 M/WBEs in SFRA's geographic market who indicated the extent to which they experienced discrimination;
- the results of survey responses from eight private developers in the City and County of San Francisco;
- testimony from 61 witnesses who testified about their experiences with discrimination at a series of public hearings held in Alameda County, Contra Costa County and San Francisco County;
- studies and court cases on the effects of discrimination on doing business in SFRA's geographic market.

Table 8.1 summarizes several quantifiable aspects of our findings for each of the racial groups and women and for each of the major industries we examined. The preponderance of the quantifiable evidence points towards discrimination for each of the major racial groups and women we have examined in each of the major industries we have examined.¹

- On construction contracts awarded or influenced by SFRA, Asian and Hispanic MBEs and WBEs received a smaller share of prime contractor dollars from both privately and publicly financed contracts than we would expect, given their availability. Since this utilization occurred despite affirmative action efforts, it suggests that discrimination exists and is difficult to overcome.
- On construction contracts awarded in the private sector in SFRA's geographic market, M/WBEs received a smaller share of prime contractor dollars and subcontractor dollars than we would expect given their availability. For example, African American-owned MBEs received only 6 percent of the prime contract dollars we would have expected them to receive.

¹ There were exceptions to some of these findings for some race and sex groups in some industries.

- Over 70 percent of the 95 M/WBE construction firm owners who responded to our surveys indicated that prime contractors that use their firms to meet M/WBE requirements on public-sector projects, seldom or never use their firms on projects that do not have M/WBE requirements.

In the case of professional and personal service contracts:

- Hispanic and African American MBEs and WBEs received a smaller share of dollars awarded on professional service contracts than we would expect given their availability despite affirmative action efforts for both privately and publicly funded contracts. For example, Hispanic-owned MBEs received only 18 percent of the dollars we would have expected them to receive for privately funded professional service contracts. In addition, WBEs received a smaller than expected share of privately financed contracts.
- In the overall market for services in SFRA's geographic market, M/WBEs received a smaller share of dollars than we would expect given their availability. For example, African American-owned firms earned only 11 percent of the dollars we would have expected.

In the case of commodity purchasing:

- WBEs received a smaller share of the contract dollars influenced by SFRA through privately financed projects for commodity purchases, 62 percent of the contracts we would expect given their availability. Hispanic MBEs received a smaller share of privately financed contracts, 85 percent of the contracts we would expect given their availability. In addition, Hispanic-owned firms received a smaller share of publicly financed contract dollars, 44 percent of the contracts we would expect given their availability.
- On commodity purchases in the private sector in SFRA's geographic market, M/WBEs received a smaller share of dollars than we would expect given their availability. For example, WBEs earned only 10 percent of the purchasing dollars we would expect them to receive.

In all three procurement areas, approximately half of the M/WBE owners who responded to our surveys reported having experienced at least one instance of discrimination in the course of business dealings in the last five years. The reports of discrimination were particularly high for African American owners, 81 percent of whom reported that they had experienced at least one instance of discrimination. In addition, 18 M/WBE owners and representatives of the M/WBE community testified at hearings in San Francisco County that they were the victims of discrimination. An additional 43 M/WBEs owners and representatives testified at hearings in Alameda County and in Contra Costa County — areas from which SFRA draws many of its vendors — that they were victims of discrimination.

Discrimination is an extremely subtle and complex phenomenon. Sometimes individuals unknowingly behave less favorably towards people of a different race. Sometimes individuals, acting on the basis of malice or stereotypes, intentionally mistreat members of certain races. But because of evolving social norms and laws against it, discrimination today is hardly ever overt. The minorities and women we talked to during the course of our research provided a few examples where there was little doubt that discrimination had taken place. More often, however, they had a perception that they were losing opportunities because of their race and, admittedly, lacked any hard evidence that they were victims of discrimination.

The cumulative effects of discrimination by banks, bonding companies, general contractors, private companies, and public agencies is almost certainly

responsible for the gross underrepresentation of businesses operated by minorities and women in construction, professional services and commodities. In all three of these industries, there are fewer minority and woman-owned businesses than one would expect based on the race and gender composition of the population in SFRA's geographic market. The M/WBEs that do exist are smaller on average than non-M/WBEs. These M/WBEs get a smaller share, with some exceptions, of public and private-sector purchase of construction, professional services and commodities. Finally, there are numerous complaints of discrimination by M/WBEs against public and private institutions in San Francisco County and SFRA's geographic market.

SUMMARY OF FINDINGS CONCERNING DISCRIMINATION
AGAINST M/WBEs

Construction

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for SFRA Privately Funded Contracts? ¹	No	Yes	No	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	329% ³	37% ⁴	185% ³	40%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	555% ³	95%	132% ³	93%
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for SFRA Publicly Funded Contracts? ¹	No	No	No	Yes ⁴
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	735% ³	273% ³	170% ³	89%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	643% ³	111% ³	309% ³	198% ³
Have M/WBE Subcontractors Been Underutilized by Prime Contractors for Private Sector Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	8%	1%	27%	75%
Have M/WBE Prime Contractors Been Underutilized by SFRA for Privately Funded Contracts? ¹	No	Yes ⁴	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	268% ³	53%	47%	24%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	329% ³	230% ³	50%	12%
Have M/WBE Prime Contractors Been Underutilized by SFRA in Publicly Funded Contracts? ¹	No	Yes ⁴	Yes ⁴	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	1,024% ³	11%	11%	0%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	597% ³	129% ³	127% ³	0%

An asterisk (*) indicates statistically significant disparity.

SUMMARY OF FINDINGS CONCERNING DISCRIMINATION
AGAINST M/WBEs

Construction, Continued

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Prime Contractors Been Underutilized on Private Sector Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	3%	8%	5%	8%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ³	90%	33%	39%	34%
What Percent of M/WBEs Are Seldom or Never Used by Prime Contractors for Projects that Don't Have M/WBE Goal Requirements? ⁴	90%	80%	62%	67%

An asterisk (*) indicates statistically significant disparity.

Professional Services

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Contractors Been Underutilized by SFRA on Professional Service Contracts for Privately Funded Contracts? ¹	No	No	Yes ⁴	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	124% ³	153% ³	23%	49%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	952% ³	398% ³	165% ³	83%
Have M/WBE Contractors Been Underutilized by SFRA on Professional Service Contracts for Publicly Funded Contracts? ¹	No	No	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	402% ³	218% ³	3%	16%*
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	536% ³	333% ³	27%*	57%*
Have M/WBE and Professional Service Firms Been Underutilized Overall in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	11%	26%	18%	16%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ⁵	77%	58%	34%	48%

An asterisk (*) indicates statistically significant disparity.

Purchasing

Type of Evidence	African Americans	Asians	Hispanics	Women
Have M/WBE Contractors Been Underutilized by SFRA for Privately Funded Contracts? ¹	No	No	No	Yes ⁴
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	299% ³	146% ³	173% ³	62%
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	262% ³	185% ³	85%	148% ³
Have M/WBE Contractors Been Underutilized by SFRA for Publicly Funded Contracts? ¹	No	No	Yes ⁴	No
Dollar Utilization as a Percent of Availability Is?	101% ³	843% ³	44%	155% ³
Numerical Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	780% ³	636% ³	243% ³	491% ³
Have M/WBE Purchasing Firms Been Underutilized on Private Work in SFRA's Geographic Market? ²	Yes	Yes	Yes	Yes
Dollar Utilization of M/WBEs as a Percent of Availability of M/WBEs Is?	0%	2%	1%	10%
What Percent of M/WBEs Have Reported One or More Instances of Discrimination in the Last Five Years? ³	88%	43%	27%	41%

Sources and Notes

1. Underutilization is measured by comparing the percent of SFRA contract and purchase dollars paid to minority and woman-owned firms to the percent of available firms within SFRA's geographic market which are minority and woman-owned. The utilization figures presented here reflect utilization of M/WBE firms during the period January 1, 1982 through July 30, 1991. The availability figures are based on the Department of Commerce, Bureau of the Census, 1987 Census of Minority- and Woman-Owned Businesses. For example, Asian subcontractors accounted for 2.6 percent of spending on privately funded contracts during the period, but made up 7.0 percent of the subcontractors available within SFRA's geographic market. Thus, the dollar underutilization as a percent of availability is 37 percent ($2.6 + 7.0$). Underutilization is also measured by comparing the number of contracts rather than the dollar amount of contracts. This is referred to as numerical utilization. For example, Asian subcontractors accounted for 7.6 percent of the privately funded contracts issued, but made up 8.1 percent of the subcontractors available within the Agency's geographic market. Thus, underutilization based on the number of contracts is 95 percent ($7.6 + 8.1$).

An asterisk (*) indicates that the observed difference in utilization and availability is statistically significant at the five percent level or better. While tests for statistical significance are extremely useful for assessing whether chance can explain disparities that we observe, they do have important limitations. First, the fact that a disparity is not statistically significant does not mean that it is due to chance. It just means that we cannot rule chance out on the basis of that test alone. Second, there are circumstances under which tests for statistical significance are not very helpful for distinguishing disparities due to chance from disparities due to other reasons such as discrimination. In the particular statistical application in this analysis, tests for statistical significance are less reliable when (a) we examine a relatively small number of procurements and when (b) the expected utilization of particular race and gender groups — measured by their availability — is relatively small. One or both of these circumstances were often present in this analysis. See Chapter 5 for a detailed explanation of underutilization and statistical significance.

2. Private sector utilization was estimated based on NERA's survey of M/WBE firms in SFRA's Geographic Market and the U.S. Department of Commerce, Bureau of the Census, 1987 Census of Construction Industries, 1987 Census of Service Industries, 1987 Census of Wholesale Trade and 1987 Census of Minority and Woman-Owned Businesses. The following counties were included in this analysis: Alameda, Contra Costa, Marin, Sacramento, San Francisco, San Joaquin, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma.
3. Note that this finding by itself does not indicate a lack of discrimination. Other factors such as anecdotal evidence and private sector utilization must also be considered.
4. In these instances, the dollar utilization measure indicates that M/WBEs were underutilized while the numerical utilization measure indicates that these firms were not underutilized. This suggests that few M/WBE firms secured reasonably large contracts.
5. Based on responses to NERA survey of M/WBEs in SFRA's Geographic Market.

APPENDIX

SURVEY FORMS

- Construction
- Personal/Professional Services
- Purchasing
- Prime Contractor Survey

n/e/r/a

National Economic Research Associates, Inc.
Consulting Economists

141 California Street
San Francisco, California 94111
(415) 291-1000
Faximile (415) 291-1030

May 16, 1991

Dear Business Owner:

National Economic Research Associates, Inc. has been retained by Alameda and Contra Costa Counties and the San Francisco Redevelopment Agency (SFRA) to conduct a study of the extent to which race and sex discrimination affects the opportunities for minority- and woman-owned businesses in the greater Bay Area. We would greatly appreciate your assistance on this study. Would you be so kind as to complete the attached questionnaire and return it to me by May 24, 1991. Your responses will be kept in the strictest confidence.

Please note that the Counties and SFRA are holding a series of public hearings over the next six weeks to receive testimony from minority- and woman-owned businesses who have experienced discrimination. The times and locations are listed below.

Thank you for your time and consideration. If you have any questions or are unable to return the survey by the deadline, please do not hesitate to call me at (415) 291-1000.

Sincerely,

Location	Date	Time
Alameda County Board of Supervisors Chambers 1221 Oak Street, 5th Floor Oakland, California	Tuesday, May 14, 1991 and Tuesday, May 21, 1991	4:00 - 10:00 p.m. 4:00 - 10:00 p.m.
Contra Costa County Bay Municipal Court 100 37th Street, Room 185 Richmond, California	Thursday, May 16, 1991 and	4:00 - 10:00 p.m.
Contra Costa County Mt. Diablo Municipal Court 1950 Parkside Drive, Room 203 Concord, California	Monday, May 20, 1991	4:00 - 10:00 p.m.
San Francisco Redevelopment Agency Southeast Community College Facility Room 1800 Oakdale Avenue at Phelps San Francisco, California	Tuesday, June 4, 1991	6:00 - 10:00 p.m.

ALAMEDA AND CONTRA COSTA COUNTIES
 AND SAN FRANCISCO REDEVELOPMENT AGENCY
 CONSTRUCTION SURVEY
 MINORITY- AND WOMAN-OWNED BUSINESSES

Si necesita recibir esta encuesta en español,
 por favor llame a Allen Collins (415) 291-1006

Your firm has been selected to participate in a study being conducted by National Economic Research Associates, Inc. on behalf of the counties and the San Francisco Redevelopment Agency (SFRA). This study is an attempt to gather information on experiences of firms, such as yours, in obtaining contracts.

Firm Name: _____
 Address: _____

PLEASE COMPLETE AND RETURN BY
 MAY 24, 1991

1. Are you the owner or one of the owners of the firm? _____
2. What is your firm's primary specialty? _____
3. In general, how have the following characteristics affected your ability to obtain contracts from government entities? Circle one answer for each of the following factors.

Characteristics	No Experience With	Helps me Obtain an Award	No Effect	Makes it Harder to Obtain an Award	Makes it Impossible to Obtain an Award
Bonding Requirements:					
Bid Bonds	1	2	3	4	5
Performance Bonds	1	2	3	4	5
Payment Bonds	1	2	3	4	5
Insurance Requirements					
Project Size	1	2	3	4	5
Cost of Completing Proposals	1	2	3	4	5
Obtaining Working Capital	1	2	3	4	5
Length of Notification for:					
Bid Deadlines	1	2	3	4	5
Bonding Requirements	1	2	3	4	5
Insurance Requirements	1	2	3	4	5
Prequalification Requirements, e.g., experience					
Other _____	1	2	3	4	5
Previous Dealings with Government Entities					

4. In the last five calendar years have you, in your opinion, been discriminated against - that is, treated less favorably than otherwise similar firms operated by white men - while participating in any of the business dealings listed below?

Yes _____ No _____

If yes, how many times have you participated in the business dealings and how often have you been discriminated against?

Business Dealings	How Many Times Have You Participated?	How Often Have You Been Discriminated Against?			
		Never	Sometimes	Frequently	Always
Applying for commercial loans					
Applying for a bond					
Applying for commercial insurance					
Hiring workers from union hiring halls					
Receiving quotes from supplier					
Receiving quotes from subcontractor					
Receiving requests for bids					
Bidding as a prime on contracts					
Bidding as a subcontractor					
Bidding on Alameda County contracts					
Bidding on Contra Costa County contracts					
Bidding on SFRA contracts					
Working as a prime on contracts					
Working as a subcontractor					
Working on Alameda County contracts					
Working on Contra Costa County contracts					
Working on SFRA contracts					
Receiving payment from prime contractor					
Receiving payment for Alameda County contracts					
Receiving payment for Contra Costa County contracts					
Receiving payment for SFRA contracts					
Applying for membership in trade associations					
Other dealings with trade associations					

5. How many full time, full year employees did your firm have in 1990? _____
6. What is the largest number of employees (including temporary workers) who have worked for your firm at any one time in the past two years? _____
7. What were your firm's revenues in 1990? \$ _____
8. Of your 1990 revenues, how much was from working as a prime contractor on private-sector projects? \$ _____
9. Of your 1990 revenues, how much was from working as a prime contractor on federal, state or local government projects? \$ _____
10. Of your 1990 revenues, how much was from working as a subcontractor on federal, state or local government projects? \$ _____
11. Of your 1990 revenues, how much was from working as a prime contractor on federal, state or local government projects which had M/WBE requirements? \$ _____
12. Of your 1990 revenues, how much was from working as a subcontractor on federal, state or local government projects which had M/WBE requirements? \$ _____
13. How often do prime contractors who use your firm as a subcontractor on government projects which have M/WBE requirements, also use your firm on projects which do not have M/WBE requirements? Please circle the answer:

<u>Never</u>	<u>Not Very Frequently</u>	<u>Frequently</u>	<u>Always</u>	<u>Not Applicable</u>
1	2	3	4	5

14. Is your firm at least 51% owned by women? _____ Yes _____ No _____
15. If 51% of your firm is owned by one or more of the following racial or ethnic groups, please circle the appropriate number(s), indicating these groups, below.

- | | | | |
|---------------------|---------------|----------------------------|----------------------|
| 1. African American | 7. Filipino | 13. Taiwanese | 19. Portuguese |
| 2. American Indian | 8. Vietnamese | 14. Guamanian | 20. Mexican |
| 3. Alaskan Native | 9. Cambodian | 15. Hawaiian | 21. Puerto Rican |
| 4. Asian Indian | 10. Laotian | 16. Other Asian | 22. Cuban |
| 5. Japanese | 11. Korean | 17. Other Pacific Islander | 23. Central American |
| 6. Chinese | 12. Samoan | 18. Spanish | 24. South American |
| | | | 25. Other _____ |

Thank you very much for your response.
Please feel free to share your thoughts and comments with us.

n/e/r/a

National Economic Research Associates, Inc.
Consulting Economists

101 California Street
San Francisco, California 94111
(415) 291-1000
Facsimile (415) 291-1000

May 16, 1991

Dear Business Owner:

National Economic Research Associates, Inc. has been retained by Alameda and Contra Costa Counties and the San Francisco Redevelopment Agency (SFRA) to conduct a study of the extent to which race and sex discrimination affects the opportunities for minority- and woman-owned businesses in the greater Bay Area. We would greatly appreciate your assistance on this study. Would you be so kind as to complete the attached questionnaire and return it to me by May 24, 1991. Your responses will be kept in the strictest confidence.

Please note that the Counties and SFRA are holding a series of public hearings over the next six weeks to receive testimony from minority- and woman-owned businesses who have experienced discrimination. The times and locations are listed below.

Thank you for your time and consideration. If you have any questions or are unable to return the survey by the deadline, please do not hesitate to call me at (415) 291-1000.

Sincerely,

Location	Date	Time
Alameda County Board of Supervisors Chambers 1221 Oak Street, 5th Floor Oakland, California	Tuesday, May 14, 1991 and Tuesday, May 21, 1991	4:00 - 10:00 p.m. 4:00 - 10:00 p.m.
Contra Costa County Bay Municipal Court 100 37th Street, Room 185 Richmond, California	Thursday, May 16, 1991 and	4:00 - 10:00 p.m.
Contra Costa County Mt. Diablo Municipal Court 1950 Parkside Drive, Room 203 Concord, California	Monday, May 20, 1991	4:00 - 10:00 p.m.
San Francisco Redevelopment Agency Southeast Community College Facility Room 1800 Oakdale Avenue at Phelps San Francisco, California	Tuesday, June 4, 1991	6:00 - 10:00 p.m.

ALAMEDA AND CONTRA COSTA COUNTIES
AND SAN FRANCISCO REDEVELOPMENT AGENCY
PERSONAL AND PROFESSIONAL SERVICES SURVEY
MINORITY- AND WOMAN-OWNED BUSINESSESSI necesita recibir esta encuesta en español,
por favor llame a Allen Collins (415) 291-1006

Your firm has been selected to participate in a study being conducted by National Economic Research Associates, Inc. on behalf of the counties and the San Francisco Redevelopment Agency (SFRA). This study is an attempt to gather information on experiences of firms, such as yours, in obtaining contracts.

Firm Name: _____
Address: _____PLEASE COMPLETE AND RETURN BY
MAY 24, 1991

1. Are you the owner or one of the owners of the firm? _____
2. What is your firm's primary specialty? _____
3. In general, how have the following characteristics affected your ability to obtain contracts from government entities? Circle one answer for each of the following factors.

<u>Characteristic</u>	<u>No Experience With</u>	<u>Helps me Obtain an Award</u>	<u>No Effect</u>	<u>Makes it Harder to Obtain an Award</u>	<u>Makes it Impossible to Obtain an Award</u>
Selection Criteria	1	2	3	4	5
Insurance Requirements	1	2	3	4	5
Project Size	1	2	3	4	5
Cost of Completing Proposals	1	2	3	4	5
Obtaining Working Capital	1	2	3	4	5
Length of Notification for Bid Deadlines	1	2	3	4	5
Prequalification Requirements, e.g., experience	1	2	3	4	5
Previous Dealings with Government Entities	1	2	3	4	5
Other _____	1	2	3	4	5

4. In the last five calendar years have you, in your opinion, been discriminated against — that is, treated less favorably than otherwise similar firms operated by white men — while participating in any of the business dealings listed below?

Yes _____ No _____

If yes, how many times have you participated in the business dealings and how often have you been discriminated against?

Business Dealings	How Many Times Have You Participated?	How Often Have You Been Discriminated Against?		
		Never	Sometimes	Frequently
Applying for commercial loans				
Applying for commercial insurance				
Hiring qualified employees				
Receiving quotes from supplier				
Receiving quotes from subcontractor				
Receiving requests for proposals				
Receiving requests for qualifications				
Meeting pre-qualification requirements				
Interviewing with pre-selection committee				
Obtaining references				
Providing examples of work and product				
Bidding as a prime on contracts				
Bidding as a subcontractor				
Bidding on Alameda County contracts				
Bidding on Contra Costa County contracts				
Bidding on SFRA contracts				
Working as a prime on contracts				
Working as a subcontractor				
Working on Alameda County contracts				
Working on Contra Costa County contracts				
Working on SFRA contracts				
Receiving payment for prime contract				
Receiving payment from prime contractor				
Receiving payment for Alameda County contracts				
Receiving payment for Contra Costa County contracts				
Receiving payment for SFRA contracts				
Obtaining membership to professional associations				
Other dealings with professional associations				

5. How many full time, full year employees did your firm have in 1990? _____
6. What is the largest number of employees (including temporary workers) who have worked for your firm at any one time in the past two years? _____
7. What were your firm's revenues in 1990? \$_____
8. Of your 1990 revenues, how much was from working as a prime contractor on private-sector projects? \$_____
9. Of your 1990 revenues, how much was from working as a prime contractor on federal, state or local government projects? \$_____
10. Of your 1990 revenues, how much was from working as a subcontractor on federal, state or local government projects? \$_____
11. Of your 1990 revenues, how much was from working as a prime contractor on federal, state or local government projects which had M/WBE requirements? \$_____
12. Of your 1990 revenues, how much was from working as a subcontractor on federal, state or local government projects which had M/WBE requirements? \$_____
13. How often do prime contractors who use your firm as a subcontractor on government projects which have M/WBE requirements, also use your firm on projects which do not have M/WBE requirements? Please circle the answer:

<u>Never</u>	<u>Not Very Frequently</u>	<u>Frequently</u>	<u>Always</u>	<u>Not Applicable</u>
1	2	3	4	5

14. Is your firm at least 51% owned by women? _____ Yes _____ No
15. If 51% of your firm is owned by one or more of the following racial or ethnic groups, please circle the appropriate number(s), indicating these groups, below.

- | | | | |
|---------------------|---------------|----------------------------|----------------------|
| 1. African American | 7. Filipino | 13. Taiwanese | 19. Portuguese |
| 2. American Indian | 8. Vietnamese | 14. Guamanian | 20. Mexican |
| 3. Alaska Native | 9. Cambodian | 15. Hawaiian | 21. Puerto Rican |
| 4. Asian Indian | 10. Laotian | 16. Other Asian | 22. Cuban |
| 5. Japanese | 11. Korean | 17. Other Pacific Islander | 23. Central American |
| 6. Chinese | 12. Samoan | 18. Spanish | 24. South America |
| | | | 25. Other _____ |

Thank you very much for your response.
Please feel free to share your thoughts and comments with us.

N/E/I'd

National Economic Research Associates, Inc.
Consulting Economists

101 California Street
San Francisco, California 94111
(415) 291-1000
Facsimile (415) 291-1030

May 16, 1991

Dear Business Owner:

National Economic Research Associates, Inc. has been retained by Alameda and Contra Costa Counties and the San Francisco Redevelopment Agency (SFRA) to conduct a study of the extent to which race and sex discrimination affects the opportunities for minority- and woman-owned businesses in the greater Bay Area. We would greatly appreciate your assistance on this study. Would you be so kind as to complete the attached questionnaire and return it to me by May 24, 1991. Your responses will be kept in the strictest confidence.

Please note that the Counties and SFRA are holding a series of public hearings over the next six weeks to receive testimony from minority- and woman-owned businesses who have experienced discrimination. The times and locations are listed below.

Thank you for your time and consideration. If you have any questions or are unable to return the survey by the deadline, please do not hesitate to call me at (415) 291-1000.

Sincerely,

Location	Date	Time
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ALAMEDA AND CONTRA COSTA COUNTIES
 AND SAN FRANCISCO REDEVELOPMENT AGENCY
 PURCHASING SURVEY
 MINORITY- AND WOMAN-OWNED BUSINESSES

Si necesita recibir esta encuesta en español,
 por favor llame a Allen Collins (415) 291-1006

Your firm has been selected to participate in a study being conducted by National Economic Research Associates, Inc. on behalf of the counties and the San Francisco Redevelopment Agency (SFRA). This study is an attempt to gather information on experiences of firms, such as yours, in obtaining contracts.

Firm Name: _____
 Address: _____

PLEASE COMPLETE AND RETURN BY
 MAY 24, 1991

1. Are you the owner or one of the owners of the firm? _____
2. What is your firm's primary specialty? _____
3. In general, how have the following characteristics affected your ability to obtain purchase orders from government entities? Circle one answer for each of the following factors.

<u>Characteristics</u>	<u>No Experience With</u>	<u>Helps me Secure Purchase Orders</u>	<u>No Effect</u>	<u>Makes it Harder to Secure Purchase Orders</u>	<u>Makes it Impossible to Secure Purchase Orders</u>
Credit Requirements	1	2	3	4	5
Distributorship Requirements	1	2	3	4	5
Insurance Requirements	1	2	3	4	5
Size of Purchase Order	1	2	3	4	5
Cost of Fulfilling Purchase Order	1	2	3	4	5
Obtaining Working Capital	1	2	3	4	5
Length of Notification for: Procurement opportunities	1	2	3	4	5
Purchase order requirements	1	2	3	4	5
Dealings with Gov't Personnel	1	2	3	4	5
Other _____	1	2	3	4	5

4. In the last five calendar years have you, in your opinion, been discriminated against — that is, treated less favorably than otherwise similar firms operated by white men — while participating in any of the business dealings listed below?

Yes _____ No _____

If yes, how many times have you participated in the business dealings and how often have you been discriminated against?

Business Dealings	How Often Have You Been Discriminated Against?		
	Never	Sometimes	Frequently
Applying for commercial loans	_____	_____	_____
Purchasing commercial insurance	_____	_____	_____
Obtaining distributorship rights or license	_____	_____	_____
Obtaining qualified workers	_____	_____	_____
Securing placement on Alameda County vendors list	_____	_____	_____
Securing placement on Contra Costa County vendors list	_____	_____	_____
Securing placement on SFRA vendors list	_____	_____	_____
Receiving information on goods to be procured	_____	_____	_____
Receiving quotes from manufacturers	_____	_____	_____
Purchasing from manufacturers	_____	_____	_____
Receiving volume discounts from manufacturers	_____	_____	_____
Receiving lines of credit from manufacturers	_____	_____	_____
Receiving payment for goods sold	_____	_____	_____

5. How many full time, full year employees did your firm have in 1990? _____
6. What is the largest number of employees (including temporary workers) who have worked for your firm at any one time in the past two years? _____
7. What were your firm's revenues in 1990? \$ _____
8. Of your 1990 revenues, how much was from work as a direct supplier to contractors working on private-sector projects? \$ _____
9. Of your 1990 revenues, how much was from work as a direct supplier to federal, state or local governments? \$ _____
10. Of your 1990 revenues, how much was from work as a supplier to contractors working on federal, state or local government projects? \$ _____
11. Of your 1990 revenues, how much was from work as a direct supplier to federal, state or local governments which had M/WBE requirements? \$ _____
12. Of your 1990 revenues, how much was from work as a supplier to contractors working on federal, state or local government projects which had M/WBE requirements?
\$ _____
13. How often do prime contractors who use your firm as a supplier on government projects which have M/WBE requirements, also use your firm on projects which do not have M/WBE requirements?
Please circle the answer:

<u>Never</u>	<u>Not Very Frequently</u>	<u>Frequently</u>	<u>Always</u>	<u>Not Applicable</u>
1	2	3	4	5

14. Is your firm at least 51% owned by women? _____ Yes _____ No
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